

**Gas to the West Application Information Pack:**

**Annex 4 Standard Licence conditions of conveyance Licences**

**DEPARTMENT OF ECONOMIC DEVELOPMENT**

**GAS (NORTHERN IRELAND) ORDER 1996**

**STANDARD CONDITIONS**

**OF**

**GAS CONVEYANCE LICENCES**

# **DETERMINATION OF THE STANDARD CONDITIONS OF GAS CONVEYANCE LICENCES**

In exercise of the powers conferred on it by section Article 11(1) of the Gas (Northern Ireland) Order 1996, the Department of Economic Development hereby determines as follows:

## **Standard conditions of gas conveyance licences**

1. The standard conditions as respects licences under Article 8(1)(a) of the Gas (Northern Ireland) Order 1996 shall be the conditions set out in the Schedule hereto.

## **Citation**

2. The said conditions may be cited as the Standard Conditions of Gas Conveyance Licences.

..... 1997 .....

Deputy Secretary

Department of Economic Development

# **STANDARD CONDITIONS OF GAS CONVEYANCE LICENCES**

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## **PART 1: GENERAL CONDITIONS APPLICABLE TO THE LICENCE HOLDER**

### **Condition 1.1: Interpretation and Construction**

#### 1.1.1 Interpretation Act (Northern Ireland) 1954 and Gas (Northern Ireland) Order 1996

Unless the contrary intention appears:

- (a) words and expressions used in this or any of the following Parts of the licence or in the Schedules hereto shall be construed as if they were in an enactment and the Interpretation Act (Northern Ireland) 1954 applied to them;
- (b) references to an enactment shall include subordinate legislation and in both cases any statutory modification or re-enactment thereof after the date when the licence comes into force; and
- (c) words and expressions defined in the Gas (Northern Ireland) Order 1996 or the Energy (Northern Ireland) Order 2003 shall have the same meaning when used in this or any of the following Parts of the licence or in the Schedules hereto.

#### 1.1.2 General Rules of Construction

Unless otherwise specified:

- (a) any reference to a numbered Part or Schedule is a reference to the Part or Schedule bearing that number;
- (b) any reference to a numbered Condition is a reference to the Condition bearing that number in the Part in which the reference occurs and within any Condition a reference to "this Condition" shall be to the whole of the Condition under its heading;
- (c) any reference to "the Conditions" means the Conditions to which the licence is subject and references to "any Conditions" and to any cognate expression shall be construed accordingly;

- (d) any reference to a numbered paragraph is a reference to the paragraph bearing that number in the Part, Condition or Schedule in which the reference occurs; and
- (e) (without prejudice to any provision which restricts such variation, supplement or replacement) any reference to any agreement, licence (other than this licence), code or other instrument shall include a reference to such agreement, licence, code or other instrument as varied, supplemented or replaced from time to time.

### 1.1.3 Headings

The heading or title of any Part, Condition, Schedule or paragraph shall not affect the construction thereof.

### 1.1.4 Time Related Obligations

Where any obligation of the Licensee is expressed to require performance within a specified time limit that obligation shall continue to be binding and enforceable after that time limit if the Licensee fails to perform that obligation within that time limit (but without prejudice to all rights and remedies available against the Licensee by reason of the Licensee's failure to perform within the time limit).

### 1.1.5 Natural Persons

These Conditions shall have effect as if, in relation to a licence holder who is a natural person, for the words "it", "its" and "which" there were substituted the words "he", "his" or "whom" and cognate expressions shall be construed accordingly.

### 1.1.6 Definitions

Except where expressly stated to the contrary and unless the context otherwise requires, the following terms shall have the meanings ascribed to them below:

"affiliate"	means, in relation to any person, any company which is a subsidiary of such person or a company of which such person
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	is a subsidiary or a company which is another subsidiary of a company of which such person is a subsidiary;
"amount"	means, in relation to gas, the energy content thereof expressed in therms or kilowatt hours; except with effect from 1st January 2000, it means the said content expressed in kilowatt hours;
"auditors"	means the Licensee's auditors for the time being holding office in accordance with the requirements of the Chapter 2 of Part 16 of the Companies Act 2006;
"authorisation of persons"	means the power of the Licensee to authorise persons, pursuant to Schedule 5 of the Order;
"Authority"	means the Northern Ireland Authority for Energy Regulation;
"balancing"	<p>means (in relation to the Network Code and relevant period for balancing under the Network Code) taking such measures as may be available to the Licensee, in particular measures:</p> <p>(a) for managing the relationship between deliveries of gas to and offtakes from the Network during that period; and</p> <p>(b) to maintain pressures in the Network at all levels,</p> <p>which in the reasonable opinion of the Licensee ensure the safety and efficiency of the Network in that or any subsequent relevant period;</p>
"company"	means a company within the meaning of section 1(1)(b)(ii) of the Companies Act 2006 or any other body corporate;

"consumer"	means any person supplied with gas to premises;
"conveyance charges"	means the charges made by the Licensee for the conveyance of gas;
"conveyance services"	means all services provided by the Licensee of conveying gas to, through and within the Licensed Area;
"Department"	means the Department of Enterprise, Trade and Investment;
"distribution pipe-line"	means any pipe-line which is not a transmission pipe-line;
"distribution system operator"	means any person authorised to convey gas through distribution pipe-lines by virtue of holding a licence granted under Article 8(1)(a) of the Order;
"domestic consumer"	means a person who is supplied with gas conveyed to premises at a rate which is reasonably expected not to exceed 2,500 therms a year;
"Energy Order"	means the Energy (Northern Ireland) Order 2003;
"exemption holder"	means the holder of an exemption under Article 7 of the Order;
"exercise of powers of entry"	means the Licensee entering any premises, in accordance with the powers conferred by Schedule 5 of the Order;
"gas supplier"	means any person authorised by licence under Article 8 of the Order or by exemption under Article 7 of the Order to supply gas including the Licensee as so authorised or exempted;
"Grant"	means the commencing section of this licence by which the Authority grants the Licensee the licence;



"information"	includes documents, accounts, estimates, returns, reports or other information;
"licence"	means the Grant together with Conditions and the Schedules;
"Licensed Area"	means the area in which the Licensee is authorised to convey gas;
"Licensed Business"	means the activities connected with the conveyance of gas pursuant to the licence;
"Licensee"	means the
"LNG Facility"	means a facility or terminal used for the liquefaction of gas or the importation, offloading and re-gasification of LNG and includes ancillary services and temporary storage for the re-gasification process and delivery to the gas transmission system but does not include any part of the facility used for the storage of gas;
"Network"	means the network of distribution pipe-lines or transmission pipe-lines (or both as the case may be) within the Licensed Area that are owned and/or operated by the Licensee (and shall also include any plant, equipment or apparatus use for, or for any purposes connected with, the conveyance of gas through such pipe-lines) which pipe-lines shall, in the case of conveyance to consumer's premises and for the purposes of this definition be deemed to terminate immediately prior to the inlet to the first gas meter at such premises;
"Network Code"	means the document prepared by the Licensee under Condition 2.4;
"non standard gas"	means a gas credit meter owned by the Licensee which is not

credit meter"	a standard gas credit meter;
"non standard gas meter"	means either a non standard gas credit or pre-payment meter;
"non standard gas pre-payment meter"	means a gas pre-payment meter owned by the Licensee which is not a standard gas pre-payment meter;
"Order"	means the Gas (Northern Ireland) Order 1996;
"owned"	means in relation to any gas meter title in or control over a meter and includes meters leased to a person;
"person"	means any company, firm, partnership, association, body corporate or individual;
"related undertaking"	means any undertaking in which any person has a participating interest within the meaning of section 421A of the Financial Services and Markets Act 2000;
"separate accounts"	means the accounts which are to be prepared for each Separate Business;
"Separate Business"	means, each of the activities of the Licensee connected with: <ul style="list-style-type: none"> <li>(a) the conveyance of gas by means of a transmission pipe-line pursuant to a licence granted in accordance with Article (8)(1)(a) of the Order;</li> <li>(b) the conveyance of gas by means of a distribution pipe-line pursuant to a licence granted in accordance with Article (8)(1)(a) of the Order;</li> <li>(c) the storage of gas pursuant to a licence granted in accordance with Article 8(1)(b) of the Order; and</li> <li>(d) the supply of gas pursuant to a licence granted in</li> </ul>

	<p>accordance with Article 8(1)(c) of the Order;</p> <p>each taken separately from one another and from any other business of the Licensee or any affiliate or related undertaking of the Licensee, but so that where all or any part of any such business is carried on by an affiliate or related undertaking of the Licensee (save in respect of an affiliate or related undertaking which has a separate licence or exemption), such part of the business as is carried on by that affiliate or related undertaking shall be consolidated with any other such business of the Licensee (and of any other affiliate or related undertaking of the Licensee) so as to form a single Separate Business;</p>
Storage Facility”	<p>means a facility used for the storage of gas and includes any part of a LNG Facility used for storage but does not include:</p> <p>(a) any part of the facility that is used for production of gas; and</p> <p>(b) any facility which is reserved exclusively by or for the Licensee in carrying out functions authorised by the Licence;</p>
"standard gas credit meter"	<p>means a gas credit meter of a type so specified and owned by the Licensee;</p>
"standard gas meter"	<p>means either a standard gas credit or pre-payment meter;</p>
"standard gas pre-payment meter"	<p>means a gas pre-payment meter of a type so specified and owned by the Licensee;</p>
“subsidiary"	<p>has the same meaning as given to it in section 1159 of the Companies Act 2006;</p>

"transmission pipe-line"	means any pipe-line having a design operating pressure exceeding 7 bar gauge; and
"transportation arrangements"	means the arrangements which licence holders or exemption holders may have with the Licensee to have gas introduced into, conveyed by means of and taken out of the Network; and
"working day"	means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday within the meaning of the Banking and Financial Dealings Act 1971.

#### 1.1.7 References to energy

References to amounts of gas in therms shall, with effect from 1st January 2000, be converted to equivalent amounts of gas in kilowatt hours.

#### 1.1.8 Singular/plural

The terms defined under Condition 1.1.6 shall include the singular and the plural, as the context requires.

#### 1.1.9 Application

The Conditions shall only apply to the activities of the Licensee carried out in Northern Ireland.

## **Condition 1.2: Separate Accounts for Separate Businesses**

### 1.2.1 Financial years

For the purposes of this Condition, the first financial year of the Licensee shall run from the date of the Grant to the following 31 March and thereafter each financial year of the Licensee shall run from 1 April in one year to 31 March in the next year.

### 1.2.2 Separate Business Accounting

This Condition applies for the purposes of ensuring that the Licensee (in conjunction with any affiliate or related undertaking of the Licensee) maintains internal accounting and reporting arrangements which:

- (a) enable separate financial statements to be prepared for each Separate Business and showing the financial affairs of each such Separate Business; and
- (b) facilitate the avoidance of discrimination, cross-subsidisation or distortion of competition between the Licensed Business and any other business of the Licensee.

In this regard the Licensee shall not be required to prepare such financial statements as if they were annual accounts (in relation to each Separate Business) prepared under section 400 of the Companies Act 2006, but shall be required to prepare such accounts in accordance with this Condition.

### 1.2.3 Separation of Internal Accounts

The Licensee shall keep proper books of account and records in such a form that the revenues and costs, assets and liabilities of, or reasonably attributable to, each Separate Business are separately identifiable in the books of the Licensee from those of any other business of the Licensee. Then the Licensee shall, so far as is reasonably practicable, prepare for each Separate Business on a consistent basis from its accounting records in respect of each financial year, financial statements comprising:

- (a) a profit and loss account;
- (b) a statement of net assets at the end of the period;

- (c) a cash flow statement for the period with a reconciliation to the financial statements specified in sub-paragraphs (a) and (b) above; and
- (d) a balance sheet.

#### 1.2..4 Apportionment

The financial statements prepared under Condition 1.2.3 shall set out and fairly present the costs (including depreciation), revenues, assets employed and liabilities of, or as may be reasonably attributable to, that Separate Business and showing separately and in appropriate detail the amounts of any revenue, cost, asset or liability which has been:

- (a) charged from or to any other business of the Licensee (or of any affiliate or related undertaking of the Licensee; and/or
- (b) apportioned between that Separate Business and any other business (such apportionment to be undertaken in accordance with the basis if apportionment approved by the Authority in accordance with Condition 1.2.5),

together with a description of the charge or basis of apportionment.

#### 1.2..5 Bases of charge or apportionment

The Licensee shall as soon as practicable and in any event prior to the end of the first financial year notify the Authority of the basis of apportionment that it proposes to use for the financial statements in respect of each Separate Business for that financial year, and:

- (a) the basis of apportionment in respect of those financial statements shall be the basis so proposed by the Licensee unless the Authority following consultation with the Licensee gives a direction requiring the use of any other basis; and
- (b) except in so far as the Authority consents to the Licensee doing so the Licensee shall not change any basis of apportionment used in the financial statements in respect of any Separate Business for any financial year subsequent to the financial year commencing on [ ] from the basis

used in the financial statements in respect of that Separate Business for that financial year.

#### 1.2..6 Auditor's Reports

In respect of each set of financial statements prepared in accordance with this Condition in respect of a financial year, the Licensee shall:

- (a) procure a report by the auditors and addressed to the Authority stating whether in their opinion that set of financial statements have been properly prepared in accordance with this Condition and give a true and fair view of the revenues, costs, assets and liabilities of, or reasonably attributable to, the Separate Business to which they relate; and
- (b) use its reasonable endeavours to procure a report by the auditors and addressed to the Authority verifying that the internal accounting and financial reporting arrangements of the Licensee are implemented in such a way as to ensure that there is no discrimination, cross-subsidisation or distortion of competition between the Separate Business and any other business of the Licensee.

#### 1.2..7 Copies of accounts and auditor's reports to be provided to the Authority

The Licensee shall provide the Authority with a copy of each set of financial statements and auditor's reports required under this Condition as soon as reasonably practicable and in any event not later than six months after the end of each financial year.

#### 1.2..8 Form of financial statements

Financial statements prepared for the purposes of this Condition shall, so far as reasonably practicable and unless otherwise approved by the Authority having regard to the purposes of this Condition:

- (a) conform to UK generally accepted accounting principles and practices;
- (b) state the accounting policies adopted; and

- (c) be so prepared to a level of detail as may reasonably be required by the Authority and so that they may be reconciled with the published accounts of the Licensee under the Companies Act 2006.

#### 1.2..9 Publication of Accounting Statements

The Authority may direct the Licensee to publish such accounting statements and reports (including but not limited to an auditor's report) as the Licensee is required to deliver to the Authority under this Condition 1.2 with the annual accounts of the Licensee.

#### 1.2..10 Construction of "costs or liabilities"

References in this Condition to costs or liabilities of, or reasonably attributable to, any Separate Business shall be construed as excluding taxation, capital liabilities which do not relate principally to a particular Separate Business, and interest thereon; and references to any accounting statement shall be construed accordingly.

#### 1.2..11 Additional Definition

"UK generally accepted accounting principles and practices" means the principles and practices prevailing from time to time in the United Kingdom which are generally regarded as permissible or legitimate by the accountancy profession irrespective of the degree of use.

#### 1.2..12 Provision of Accounts to the Department

The Licensee shall, where requested to do so by the Department, provide to the Department a copy of its accounting records for the period specified in the request.



### **Condition 1.3: Provision of Information to the Authority**

#### 1.3.1 Furnishing information

Subject to Conditions 1.3.2 and 1.3.3 below, the Licensee shall, furnish to the Authority, in such manner and at such times as the Authority may reasonably require, information as the Authority may reasonably require or as may be necessary for the purpose of performing the functions assigned or transferred to it by or under any legislation.

#### 1.3.2 Licensee to comment on accuracy of information

This Condition shall not apply in respect of any function of the Authority under Articles 14(1)(a) and 27 of the Order or under Article 7 of the Energy Order but the Licensee shall, if requested by the Authority, give reasoned comments on the accuracy (so far as it relates to its Licensed Business), of any information or advice which the Authority proposes to publish pursuant to Article 7 of the Energy Order.

#### 1.3.3 Condition 1.3 exclusive of other powers to require information

The power of the Authority to call for information under this Condition is in addition to the power of the Authority to call for information under or pursuant to any other Condition or any Schedule.

#### 1.3.4 Condition 1.3 and other powers to require information

Where the Licensee is or can be required to provide information to the Authority under any Condition other than this Condition, there shall be a presumption that the provision of that information in accordance with the Condition in question is sufficient for the purposes of that Condition, but that presumption shall be rebutted and shall not limit the right of the Authority to call for further information under Condition 1.3.1 if it states in writing that in its opinion such information is, or is likely to be, necessary to enable it to exercise functions under the Condition in question.

#### 1.3.5 Limitation on obligation to furnish information

This Condition shall not require the Licensee to furnish any information which the Licensee could not be compelled to produce or give in evidence in civil proceedings in the High Court.

## **Condition 1.4: Consultation with the General Consumer Council**

### 1.4.1 Policy statements for General Consumer Council

The Licensee shall in due time consult with the General Consumer Council in the formulation of:

- (a) its policies for the conduct of its business activities relating to the conveyance of gas insofar as they may affect consumers; and
- (b) the general arrangements for their implementation;

and shall:

- (c) give the General Consumer Council reasonable notice of the publication, announcement or implementation (if no publication or announcement is made) of details of any significant change in any such policies and general arrangements; and
- (d) give to the General Consumer Council as the General Consumer Council may reasonably request an explanation of any such significant change and of the implementation of those policies.

## **Condition 1.5: Restriction on Use and Disclosure of Certain Information**

### 1.5.1 Use of protected information

Where the Licensee or any affiliate or related undertaking of the Licensee holds protected information, the Licensee shall (and shall procure that such affiliate or related undertaking shall) procure:

- (a) that the Licensee shall not obtain any unfair commercial advantage from its possession of protected information with respect to any Separate Business;
- (b) that protected information is not used by any other person for the purpose of obtaining for that person:
  - (i) any unfair commercial advantage from its possession of protected information;
  - (ii) any licence;
  - (iii) any exemption;
  - (iv) control of any body corporate which, directly or indirectly, has the benefit of any such licence or exemption; and
- (c) that protected information is not disclosed except with the prior consent in writing of the relevant person to whose affairs the protected information relates,

provided that the obligation on the Licensee:

- (d) to procure the above in relation to an affiliate or related undertaking which has control of the Licensee (control being defined by Section 450 of the Corporation Tax Act 2010), shall be to do so using reasonable endeavours and obtaining an appropriate contractual undertaking from that affiliate or related undertaking in respect of such protected information; and
- (e) not to obtain any unfair commercial advantage from its possession of protected information under Condition 1.5.1(a) shall be construed to exclude protected information received by any Separate Business, if applicable, not engaged in the

conveyance of gas independently of the Separate Business engaged in the conveyance of gas.

#### 1.5.2 Compliance with directions

The Licensee shall implement such measures and procedures and take all such other steps as shall be specified in directions issued by the Department from time to time under Article 45 of the Order or otherwise for the purposes of this Condition as reasonably appear to the Department to be requisite or expedient for the purpose of securing compliance by the Licensee with its obligations under Condition 1.5.1 in the conduct of its business to convey gas.

#### 1.5.3 Limitation of non disclosure obligations

Condition 1.5.1(c) shall not apply to any disclosure of information:

- (a) authorised by Article 63(3) or (4) of the Energy Order; or
- (b) made in compliance with the duties of the Licensee or any affiliate or related undertaking of the Licensee under the Order or the Energy Order or by any other requirement of a competent authority; or
- (c) made in compliance with the Conditions of the Licence or any document referred to in the Licence with which the Licensee or any affiliate or related undertaking of the Licensee is required by virtue of the Order or the Energy Order or the Licence to comply.

#### 1.5.4 Additional definition

In this Condition:

- "protected information"** means any commercially confidential information which:
- (a) relates to the affairs of a person; and
  - (b) has been furnished to, or otherwise acquired by, the Licensee or by any affiliate or related undertaking of the Licensee in the course of any

dealings with that person or any affiliate or related undertaking of his,

other than information which is in, or comes into, the public domain other than as a result of breach by the Licensee of any Condition of the Licence.

## **Condition 1.6: Powers of Entry**

### **1.6.1 Arrangements for powers of entry**

The Licensee shall, unless it has done so before being licensed, within six months of the licence coming into force:

- (a) submit to the Authority a statement of its proposed arrangements in respect of the matters mentioned in Condition 1.7;
- (b) if within 30 days of such submission the Authority notifies the Licensee that, in its opinion, the arrangements are not sufficient for the purposes of Condition 1.7, make changes to the arrangements requisite to secure compliance with such conditions as are specified by the Authority; and
- (c) make such arrangements,

and the arrangements so made in this Condition and in Condition 1.7 are referred to as "the arrangements".

### **1.6.2 Changes in arrangements for extensions to licence**

In the event of an extension of its licence, the Licensee shall ensure that the arrangements remain sufficient for the purposes of Condition 1.7 and shall make, subject to Condition 1.6.3, any necessary changes.

### **1.6.3 Consent of Authority to changes**

The Licensee shall not make any material change to the arrangements except with the consent of the Authority, which consent shall not be unreasonably withheld and shall be deemed to have been given, unless refused in writing within 2 months of receipt by the Authority of the application to make a material change by the Licensee.

### **1.6.4 Conduct with domestic consumers**

The Licensee shall use its best endeavours to ensure that, so far as is reasonably practicable, when exercising powers of entry under Schedule 5 to the Order, it conducts itself towards domestic consumers to whose premises the Licensee arranges for gas to be conveyed in conformity with the arrangements.

## **Condition 1.7: Authorisation of Persons**

### **1.7.1 Steps to be included in the arrangements**

The arrangements shall comprise all reasonable steps:

- (a) for securing that no person is authorised for the purpose of any provision of Schedule 5 to the Order unless in the reasonable opinion of the Licensee he is a fit and proper person to enjoy the rights conferred by that provision;
- (b) for securing that any person authorised for the purpose of any provision of Schedule 5 to the Order possesses appropriate expertise to perform the particular task that he will be required to undertake under the provision in question;
- (c) for securing that a member of the public may readily confirm the identity or authority of a person authorised for the purpose of any provision of Schedule 5 to the Order;
- (d) for securing that identity cards, uniforms, liveried vehicles and other things conveying evidence of authority or identity in relation to the Licensee are not misused; and
- (e) for securing that all persons authorised by the Licensee comply with the provisions for entry where any justices' warrant is issued under Schedule 5 paragraph 6 to the Order.

### **1.7.2 Licensee not to authorise a person to exercise any powers of entry unless steps described in the arrangements above are complied with**

The Licensee shall not authorise any person to exercise any powers of entry conferred by Schedule 5 to the Order unless the steps provided for in the arrangements described in Condition 1.7.1(a), (b) and (c) have been complied with and it appears to the Licensee that he is such a fit and proper person.



### 1.7.3 Licensee to take reasonable steps to keep relevant persons informed

Except in so far as the Authority otherwise consents, if in respect of any premises any person so authorised is an officer or employee of an agent of the Licensee, the Licensee shall take reasonable steps to inform and keep informed all persons to whom the information is relevant, including its domestic consumers and any other licence holders, naming the agent in question and shall give that information in a verifiable and authoritative manner.

## **Condition 1.8: Exercise of Powers of Entry**

### 1.8.1 Licensee to avoid undue disturbance

In exercising the powers of entry conferred on it by Schedule 5 to the Order, the Licensee shall avoid undue disturbance to owners or occupiers of premises as a result of visits being made to their premises by persons authorised by the Licensee.

### 1.8.2 Construction of Condition 1.8.1

In this Condition any reference to the conferring on the Licensee of powers of entry under Schedule 5 to the Order or to the exercise of such powers shall be construed as a reference to the conferring on a person authorised by the Licensee of such powers and the exercise by such an authorised person of those powers.

## **Condition 1.9: Modifications**

### 1.9.1 Modification of Licence Conditions

The Conditions of the licence are subject to modification in accordance with their terms or with Articles 9, 14, 17,, 17A, or 18 of the Order or with any provision for the modification of the same in the Order or the Energy Order.

## **Condition 1.10: Assignment of Licences**

### 1.10.1 Licensee's ability to assign its licence

For the purposes of Article 12 of the Order, the Licensee with the prior consent of the Authority may assign the licence either generally, or so far as relating to the whole or any part of the Licensed Area.

### 1.10.2 Matters affecting an assignment

In deciding whether to give its consent under Condition 1.10.1 the Authority shall apply those criteria contained in Article 12(3) of the Order, and any consent shall be subject to compliance with the matters determined by the Authority under Article 12(4) of the Order.

### 1.10.3 Licensee may not otherwise assign its licence

Save as the Licensee is authorised to assign the licence under this Condition, the Licensee may not otherwise assign the licence without the consent of the Authority.

## **Condition 1.11: Transfer of Business**

### 1.11.1 Restrictions on transfer of business in conveying gas

Subject to Condition 1.11.2, the Licensee shall not transfer to another person (the "transferee") all or part of any of its business comprising the conveyance of gas carried out under the licence.

### 1.11.2 Exception to Conditions 1.11.1

Nothing in Condition 1.11.1 prevent the Licensee from transferring all or the relevant part of its business to the assignee where the Authority has consented to the assignment of all or the relevant part of the licence under Article 12 of the Order or the Licensee has assigned all or the relevant part of the licence in accordance with Condition 1.10.

## **Condition 1.12: Disposal of Relevant Assets**

### **1.12.1 Licensee not to dispose of or relinquish operational control of relevant assets**

Except:

- (a) in relation to an assignment permitted under Condition 1.10 and the disposal or relinquishing of operational control of any relevant asset necessary for the assignment to have effect; or
- (b) in relation to a transfer of business permitted under Condition 1.11 and the disposal or relinquishing of operational control of any relevant asset necessary for the transfer to have effect; or
- (c) in so far as the Authority consents to the Licensee so doing; or
- (d) where the Licensee has relevant assets which do not form an integral part of the Network, or are not otherwise required for continuous system control and data acquisition or the safe and continuous operation of the Network, which may be the subject of arms length asset and financing leasing arrangements,

the Licensee shall not dispose of or relinquish operational control over any relevant asset if the disposal or relinquishing of control would materially affect its ability to discharge its obligations under the Order or the Energy Order or the carrying on of activities authorised or required by the licence and any question arising under this Condition 1.12.1 as to whether such disposal or relinquishing of control is such as aforesaid shall be determined by the Authority.

### **1.12.2 Notice to be given to Authority**

Save as provided in Condition 1.12.3 or in so far as the Authority otherwise consents, the Licensee shall give to the Authority not less than two months prior written notice of its intention to dispose of or relinquish operational control over any relevant asset, together with such further information as the Authority may request relating to such asset or the circumstances of such intended disposal or relinquishment of control or to the intentions in regard thereto of the person proposing to acquire such asset or operational control over such asset.

### 1.12.3 Notice not required for minor disposals

The Licensee shall not be required to give the Authority any notice of its intention to dispose of or relinquish operational control of any relevant asset having a value of less than £20,000 in September 1996 prices (such sum to be adjusted annually by reference to the retail price index), provided that:

- (a) the disposal of or relinquishing of operational control of such relevant asset would not materially affect the Licensee's ability to discharge its obligations under the Order or the Energy Order or the carrying on of activities required by the licence; and
- (b) the disposal or relinquishing of any such relevant assets does not exceed an aggregate value of £20,000 in September 1996 prices (such sum to be adjusted annually by reference to the retail price index), in any period of twelve months.

### 1.12.4 Disposal allowed with consent of the Authority

The Licensee may dispose of or relinquish operational control over any relevant asset where:

- (a) the Authority confirms in writing that it consents to such disposal or relinquishment before such disposal or relinquishment occurs (which consent may be made subject to the acceptance by the Licensee or any third party in favour of whom the relevant asset is proposed to be disposed or operational control is proposed to be relinquished of such conditions as the Authority may specify); or
- (b) the Authority does not inform the Licensee in writing of any objection to such disposal or relinquishment of control within the notice period referred to in Condition 1.12.2.

### 1.12.5 Consultation with other licence holders

Any consent of the Authority pursuant to Condition 1.12.4 shall be given after the Authority shall have consulted and taken into consideration any representations made in a timely manner by any other licence holder liable to be materially affected by the disposal in question.

### 1.12.6 Additional Definitions

In this Condition:

"disposal" includes any sale, assignment, gift, exchange, lease, licence, the grant of any right of possession, loan, security, mortgage, charge or the grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition to a third party and "dispose" shall be construed accordingly; and

"relevant asset" means any part of the Network operated from time to time by the Licensee or any gas plant used by the Licensee for or for purposes connected with the conveyance of gas, together with any estate or interest in land required for the utilisation of the Network, gas storage facility or gas plant.



### **Condition 1.13: Payment of Fees to the Authority**

1.13.1 In respect of each year, beginning on 1 April, during which the Licence is in force, the Licensee shall pay to the Authority a fee of the amount determined in accordance with this Condition (the **licence fee**).

1.13.2 The Licensee shall pay to the Authority the licence fee for each year (the **relevant year**) within 30 days of the Authority giving notice to the Licensee of the amount due from the Licensee for the relevant year.

1.13.3 For each relevant year, the licence fee shall be the total of:

- (a) an amount that is the Relevant Contribution to the Estimated Costs of the Authority for the relevant year;
- (b) an amount that is the Relevant Contribution to the Estimated Costs of the Consumer Council with regard to the exercise of its functions relating to gas consumers for the relevant year;
- (c) an amount that is the Relevant Contribution to the Estimated Costs of the Competition Commission, in connection with any reference made to it in respect of the Licence or any other licence granted under Article 8(1)(a) of the Order, for the year immediately preceding the relevant year (the **previous year**); and
- (d) an amount which is the difference (which may be a positive or negative amount), if any, between:
  - (i) the licence fee that would have been due from the Licensee for the previous year had such fee been calculated in relation to the actual costs of:
    - (A) the Authority for the previous year;
    - (B) the Consumer Council with regard to the exercise of its functions relating to gas consumers for the previous year; and
    - (C) the Competition Commission, in connection with references of the type referred to in sub-paragraph 1.13.3(c), for the year immediately preceding the previous year; and

- (ii) the licence fee paid by the Licensee for the previous year,

provided that where the Licence is in force for only a part of the relevant year, the amount payable in respect of that year shall be a proportionate part of the licence fee due for the full year.

1.13.4 Where:

- (a) the Estimated Costs of the Authority or of the Consumer Council are revised during the course of the relevant year (**Revised Costs**);
- (b) the Licensee has paid the licence fee for the relevant year; and
- (c) the Revised Costs would, had they applied to the calculation of the licence fee paid by the Licensee, have resulted in the calculation of a lower licence fee than that paid by the Licensee,

the Authority may, where it is reasonable for it to do so taking into consideration the timing of the Revised Costs and the provisions of paragraph 1.13.3(d), refund to the Licensee the difference between the amount of the licence fee paid by the Licensee and the amount of the lower licence fee referred to in paragraph 1.13.4(c) above.

1.13.5 Where the Licensee fails to pay the amount of the licence fee as notified to it under paragraph 2 above within the 30 day period specified, it shall with effect from the end of that 30 day period pay simple interest on the amount at the rate which is from time to time equivalent to the base lending rate of an institution designated by the Authority for this purpose.

1.13.6 In this Condition:

- “Estimated Costs”
- (i) in relation to the costs of the Authority, means the costs estimated by the Authority as likely to be its costs for the relevant year as calculated in accordance with the Principles;
  - (ii) in relation to the costs of the Consumer Council, means either:

- (A) the costs notified to the Authority by the Consumer Council as its estimated costs for the relevant year as approved by the Department; or
  - (B) in the event that the Authority does not receive such notification by 31 July in the relevant year, the costs estimated by the Authority (having regard to any estimate of such costs in any forward work programme published by the Consumer Council in respect of the relevant year) as likely to be the costs of the Consumer Council for the relevant year; and
- (iii) in relation to the costs of the Competition Commission, means the costs estimated by the Authority following consultation with the Competition Commission as likely to be the costs of the Competition Commission for the previous year in connection with references of the type referred to in sub-paragraph 1.13.3(c) above.

“Principles”

means the principles determined by the Authority for the purposes of this Condition generally, following consultation with the Licensee and with others likely to be affected by the application of such principles and as notified to the Licensee in writing.

“Relevant Contribution”

means, in respect of the Estimated Costs, the level of contribution to those costs applicable, whether by way of a specified amount or a stated proportion, to the Licensee as determined under or in accordance with the Principles.

## **Condition 1.14: Notices**

### 1.14.1 Notices

All notices to be given under any Condition shall be in writing and shall be deemed to have been properly given if delivered in person or sent by registered mail or transmitted by facsimile to the relevant party at the address set out below or at such other address as that party may from time to time specify in writing to the others:

Licensee: [            ]

Authority: Northern Ireland Authority for Energy Regulation

Brookmount Buildings,

42 Fountain Street,

Belfast, BT1 5EE

Facsimile Telephone Number (02890) 311740

Department: Department of Enterprise, Trade and Investment ,

Energy Division,

Netherleigh House,

Massey Avenue,

Belfast, BT4 2JP

Facsimile Telephone Number (02890) 529549

### 1.14.2 Receipt

Any notice given under the provisions of Condition 1.14.1 shall be deemed to have been duly delivered and received:

- (i) at the actual time of delivery, if delivered personally;

- (ii) three (3) working days subsequent to the date of posting, if sent by registered mail;  
and
- (iii) at the time of receipt, if transmitted by facsimile where there is confirmation of uninterrupted transmission by a transmission report and provided that the original of the notice is then delivered personally or sent by registered mail as soon as reasonably practicable.

## **Condition 1.15: Independence of the Licensee [High pressure]**

### 1.15.1 Application

This Condition shall apply to the Licensee where it conveys, or is authorised to convey, gas through transmission pipe-lines.

### 1.15.2 Independence

The Licensee shall:

- (a) unless it has already done so prior to this Condition coming into force, establish;  
and
- (b) at all times thereafter maintain,

the full legal, managerial and operational independence of the Authorised Business from any Energy Business.

### 1.15.3 Means of achieving such independence

In order to facilitate its compliance with Condition 1.15.2, the Licensee shall ensure that:

- (a) the Authorised Business is provided with such premises, systems, equipment, facilities, property, personnel, data and management resources as are necessary for its efficient and effective legal, managerial and operational independence;
- (b) it meets the ownership unbundling requirement referred to in Article 8G of the Order by virtue of satisfying, at all times, each of the five tests set out in Articles 8G(2), 8G(4), 8G(6), 8G(12) and 8G(13) of the Order;
- (c) subject to any financial supervisory rights of a Holding Company of the Licensee as provided for in the Licensee's financial plan, commercial and operational decisions relating to the operation, maintenance and development of the Licensee's Network are taken only by those persons who are employed by, and are engaged in the operation and management of, the Authorised Business;
- (d) any Energy Business may not use or have access to:

- (i) premises or parts of premises occupied by persons engaged in the management or operation of the Authorised Business;
  - (ii) systems for the recording, processing or storage of data to which persons engaged in the management or operation of the Authorised Business also have access;
  - (iii) commercially sensitive or confidential information relating to, or derived from, the Authorised Business;
  - (iv) equipment, facilities or property employed for the management or operation of the Authorised Business; or
  - (v) the services of any persons who are (whether or not as their principal occupation) engaged in the management or operation of the Authorised Business;
- (e) where, in order to comply with this Condition any Energy Business ceases to be an affiliate or related undertaking of the Licensee, the employment of any employee of the Licensee is not transferred to that Energy Business by virtue of the arrangements under which the Energy Business ceases to be an affiliate or related undertaking of the Licensee; and
- (f) in so as far as it is legally possible for it to do so, it prevents any person who has ceased to be employed by, or engaged in the activities of, the Authorised Business from being employed by, or engaged in the activities of, any Related Energy Business until the expiry of an appropriate time from the date on which ceased to be engaged or employed by the Authorised Business.

#### 1.15.4 Undertaking

The Licensee shall procure from the person that is the Ultimate Holding Company of the Licensee a legally enforceable undertaking in favour of the Licensee in a form specified by the Authority, that the Ultimate Holding Company will refrain from any action, and will procure that every subsidiary of the Ultimate Holding Company (other than the Licensee and its subsidiaries) will refrain from any action, which would be likely to cause the Licensee to be in contravention of this Condition. Such undertaking shall be obtained

within 7 days after the date when this paragraph first become effective, or after the person in question becomes an Ultimate Holding Company (as the case may be) and shall remain in force for as long as the Licensee remains the holder of this Licence and the giver of the undertaking remains an Ultimate Holding Company of the Licensee.

#### 1.15.5 Definitions

In this Condition:

**“Authorised Business”** means the Licensed Business, taken together with (if applicable) where the Licensee has so notified the Department and the Authority, any business of the Licensee (or of any affiliate or related undertaking of the Licensee) that is carrying out activities that require authorisation in accordance with Article 6(1)(a) of the Order or with section 5(1)(a) of the Gas Act;

**“Energy Business”** means any business that is involved in the generation or supply of electricity or in the production, purchase or supply of gas;

**“Gas Act”** means the Gas Act 1986, as amended from time to time;

**“Holding Company”** has the meaning given to it in section 1159 of the Companies Act 2006;

**“Related Energy Business”** means any Energy Business which was an affiliate or related undertaking of the Licensee at any given time in the six months prior to the date the person ceased to be engaged or employed by the Authorised Business; and

**“Ultimate Holding Company”** means any person which is a Holding Company of the Licensee, and which is not itself a subsidiary of



another company.

**Condition 1.16: Independence of the Licensee [Low pressure]**

1.16.1 Application

This Condition shall apply to the Licensee where:

- (a) it conveys, or is authorised to convey, gas through distribution pipe-lines;
- (b) any affiliate or related undertaking of the Licensee is carrying on the activities of an Associated Business; and
- (c) the Licensee has at least 100,000 premises connected to the Network.

Where this Condition has begun to take effect by virtue of paragraphs (a), (b) and (c) above being satisfied, it shall have effect at all times following that date.

1.16.2 Managerial and Operational Independence

The Licensee shall:

- (a) unless it has already done so prior to this Condition coming into force, establish;  
and
- (b) at all times thereafter maintain,

the full managerial and operational independence of the Authorised Business from any Associated Business.

1.16.3 Branding of the Licensed Business

The Licensee shall use its best endeavours to ensure that:

- (a) any Brand used by the Licensed Business; and
- (b) any communication (including advertising) that:
  - (i) includes or refers to a Brand used by the Licensed Business; and

- (ii) is issued, published or sent to any person by or on behalf of the Licensed Business,

does not create confusion as to the separate identities of:

- (c) the Licensed Business; and
- (d) any Associated Gas Supply Business.

#### 1.16.4 Conduct of the Authorised Business

The Licensee shall ensure that the Authorised Business is conducted in the manner best calculated to secure that it does not unduly discriminate as between any persons or any classes of person, or unduly prefer itself (or any affiliate or related undertaking) over any other persons or any classes of person.

#### 1.16.5 Means of achieving Managerial and Operational Independence

In order to facilitate its compliance with Condition 1.16.2, the Licensee shall use all reasonable endeavours to ensure that:

- (a) the Authorised Business is provided with such premises, systems, equipment, facilities, property, personnel, data and management resources as are necessary for its efficient and effective managerial and operational independence;
- (b) it does not hold or acquire shares in any Associated Gas Supply Business or in any Holding Company of any such Associated Gas Supply Business;
- (c) subject to any financial supervisory rights of a Holding Company of the Licensee as provided for in the Licensee's financial plan, commercial and operational decisions relating to the operation, maintenance and development of the Licensee's Network are taken only by those persons who are employed by, and are engaged in the operation and management of, the Authorised Business;
- (d) any Associated Business may not use or have access to:
  - (i) premises or parts of premises occupied by persons engaged in the management or operation of the Authorised Business;

- (ii) systems for the recording, processing or storage of data to which persons engaged in the management or operation of the Authorised Business also have access;
  - (iii) commercially sensitive or confidential information relating to, or derived from, the Authorised Business;
  - (iv) equipment, facilities or property employed for the management or operation of the Authorised Business;
  - (v) the services of persons who are (whether or not as their principal occupation) engaged in the management or operation of the Authorised Business (save to the extent the Authority consents to such use or access); and
- (e) it can and does, insofar as is legally possible:
- (i) ensure that any director of the Licensee is not at the same time also a director of a company which carries on an Associated Gas Supply Business; and
  - (ii) prevent any person who has ceased to be engaged in the management or operation of the Authorised Business from being employed by, or engaged in the activities of, any Associated Business until the expiry of an appropriate time from the date on which he ceased to be engaged by the Authorised Business.

#### 1.16.6 Provision and Use of Information

In order to facilitate its compliance with condition 1.16.4 the Licensee shall ensure that:

- (a) any communications made by the Licensee, or on its behalf, in the course of the Licensee's Marketing Activities:
  - (i) do not mislead consumers;
  - (ii) do not enable the Associated Gas Supply Business to obtain any unfair commercial advantage; and

- (iii) are fair, and do not show any undue preference towards or undue discrimination against any gas supplier, including the Associated Gas Supply Business, both in terms of their content and presentation; and
- (b) commercially sensitive or confidential information relating to a licence holder and furnished to or otherwise acquired by the Authorised Business is not disclosed or accessible to any Associated Business without the prior written consent of the relevant licence holder.

#### 1.16.7 Definitions

In this Condition:

- |   |  |
|---|--|
| <b>“Act”</b>                            | means the Gas Act 1986, as amended from time to time;  |
| <b>“Associated Business”</b>            | means any business, other than the Authorised Business, of the Licensee (or of any affiliate or related undertaking of the Licensee) which is carrying out any activity, that requires authorisation in accordance with either Article 6(1) of the Order or section 5(1) of the Act or which is involved in the production or purchase of gas; |
| <b>“Associated Gas Supply Business”</b> | means any Gas Supply Business not forming part of the Authorised Business;   |
| <b>“Authorised Business”</b>            | means the Licensed Business, taken together with any other business of the Licensee (or of any affiliate or related undertaking of the Licensee) which is carrying on activities requiring authorisation in accordance with Article 6(1)(a) of the Order or section 5(1)(a) of   |

the Act and which:

- (a) relate to the conveyance of gas through distribution pipe-lines; and
- (b) where the Licensee has so notified the Department and the Authority, relate to the conveyance of gas through transmission pipe-lines;

**“Brand”**

means any name, trade name, term, sign, symbol or design or any combination of them that identifies the Licensed Business;

**“Gas Supply Business”**

means any business carrying out activities that require authorisation in accordance with Article 6(1)(c) of the Order or section 5(1)(b) of the Act;

**“Holding Company”**

has the meaning given to it in section 1159 of the Companies Act 2006; and

**“Marketing Activities”**

means any activities of the Licensee that are directed at, or incidental to identifying and communicating with, consumers for the purpose of promoting the activities of the Licensed Business to them.

## **Condition 1.17: Business Separation Compliance Plan [Low pressure]**

### 1.17.1 Application

This Condition shall apply where Condition 1.16 applies to the Licensee.

### 1.17.2 Submittal of plan

The Licensee shall, no later than 28 days after Condition 1.16 first applies to the Licensee, prepare and submit to the Authority (for its approval) a compliance plan (the “**Compliance Plan**”) setting out the practices, procedures, systems and rules of conduct which the Licensee has adopted, or intends to adopt, together with the timescales for adoption, to ensure its compliance with Condition 1.16.

### 1.17.3 Complying with Compliance Plan

The Licensee shall use its best endeavours to comply with the Compliance Plan as approved by the Authority and revised from time to time in accordance with this Condition.

### 1.17.4 Authority's role

The Authority may:

- (a) within 30 days of the Licensee submitting an initial or revised Compliance Plan; or
- (b) following any review of the Compliance Plan that the Authority may conduct from time to time,

serve notice on the Licensee:

- (c) informing the Licensee that, in the Authority's opinion, the Compliance Plan is not, or is no longer, sufficient for the purposes of the Licensee's compliance with Condition 1.16; and
- (d) directing the Licensee to make such revisions to the Compliance Plan as, in the Authority's opinion, are necessary or expedient in order for the Compliance Plan to be sufficient for the purposes of ensuring the Licensee's compliance or continued compliance with Condition 1.16.

### 1.17.5 Brand Separation

Without prejudice to the generality of Condition 1.17.4, the Authority may, where it is satisfied that a Brand being used by the Licensed Business, or the manner in which that Brand is being used, causes confusion as to the separate identities of the Licensed Business and any Associated Gas Supply Business, give notice directing the Licensee to make such revisions to the Compliance Plan as will provide for the Licensee to ensure that the Licensed Business does not:

- (a) use any Brand that is the same as a Brand used by the Associated Supply Business;  
or
- (b) use any Brand that has characteristics which are the same as or similar to those of a Brand used by the Associated Supply Business.

#### 1.17.6 Revision of Compliance Plan

Where the Licensee receives a notice in accordance with Condition 1.17.4 or Condition 1.17.5, it shall within 30 days or by such later date, if any, as may be specified in the direction, revise the Compliance Plan, in such manner and to such extent as will reflect the Authority's direction and ensure that it is sufficient for the purposes of ensuring the Licensee's compliance with Condition 1.16.

#### 1.17.7 Review of Compliance Plan

The Licensee shall, on at least an annual basis during the period in which Condition 1.16 is in force, review its Compliance Plan so as to ensure:

- (a) its continued compliance with its obligations under Condition 1.16; and
- (b) that the information set out therein shall continue to be accurate in all material respects.

#### 1.17.8 Authority approval

Where the Licensee revises its Compliance Plan, either in accordance with Condition 1.17.6 or following a review conducted by it in accordance with Condition 1.17.7, it shall submit the revised Compliance Plan to the Authority for its approval.

#### 1.17.9 Facilitating compliance with the Compliance Plan

The Licensee shall ensure that persons engaged in the management and operation of the Licensed Business:

- (a) are made aware of the practices, procedures, systems and rules of conduct set out in the Compliance Plan;
- (b) have the necessary information and facilities to comply with their respective obligations as provided for in the Compliance Plan; and
- (c) are aware of the disciplinary procedures that may be activated should they fail to comply with their obligations under the Compliance Plan.

#### 1.17.10 Compliance Manager

The Licensee shall, following consultation with the Authority, appoint an independent person (the “**Compliance Manager**”) for the purpose of facilitating compliance with its obligations under Condition 1.16 and with its Compliance Plan.

#### 1.17.11 Assisting the Compliance Manager

The Licensee shall ensure that the Compliance Manager has access to such staff, premises, systems, information, documentation, equipment, facilities and other resources as he might reasonably expect to require to fulfil the duties and tasks assigned to him.

#### 1.17.12 Duties of the Compliance Manager

The duties and tasks assigned to the Compliance Manager shall include:

- (a) providing relevant advice and information to the Licensee for the purpose of ensuring its compliance with Condition 1.16 and with the Compliance Plan;
- (b) monitoring the effectiveness of, and the Licensee’s compliance with, the Compliance Plan;
- (c) investigating any complaint or representation received by the Licensee from any person in respect of any matter arising under or by virtue of Condition 1.16 or in relation to the Compliance Plan;



- (d) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable, including where necessary revising the Compliance Plan to reflect such recommendation and advice; and
- (e) reporting, at such frequency as is determined in writing by the Authority, to the directors of the Licensee on his activities during the period covered by the report, the investigations he has conducted and on progress implementation of the Compliance Plan.

#### 1.17.13 Report of Compliance Manager

The Licensee shall, at such frequency as is determined in writing by the Authority, but no less than twice every twelve months, submit a report to the Authority:

- (a) detailing the activities of the Compliance Manager during the period covered by the report;
- (b) providing a progress update on the Licensee's implementation of the Compliance Plan;
- (c) setting out the details of any investigations conducted by the Compliance Manager, including:
- (d) the number, type and source of the complaints or representations on which such investigations were based;
- (e) the outcome of such investigations; and
- (f) any remedial action taken by the Licensee following such investigations.

#### 1.17.14 Additional Definitions

In this Condition the terms Associated Gas Supply Business, Brand, and Gas Supply Business have the meaning given to them in Condition 1.16.

## **Condition 1.18: Systems to Facilitate Change of Supplier [Low pressure]**

### 1.18.1 Application

This Condition shall apply to the Licensee where it conveys, or is authorised to convey, gas through distribution pipe-lines.

### 1.18.2 Practices, Procedures and Systems

The Licensee shall ensure that its practices, procedures and systems facilitate Supplier Transfers taking place within 15 working days of the Licensee receiving a valid Registration Request from a gas supplier.

### 1.18.3 Maintaining Records and Reporting

The Licensee shall no later than fourteen days after the end of each quarter year ending on 30 June, 30 September, 31 December and 31 March, give to the Authority a report which sets out –

- (a) the number of Registration Requests received by it in each month of that quarter,
- (b) the number of actual Supplier Transfers completed in each month of that quarter, and
- (c) of the number of Supplier Transfers completed in each month of that quarter, the number which took more than 15 working days to complete from the date of the valid Registration Request being received by the Licensee.

### 1.18.4 Notifying the Authority

The Licensee shall inform the Authority as soon as it becomes aware that its practices, procedures and systems may, as a result of the number of Registration Requests likely to be received by it, cease to be adequate to ensure the Licensee's compliance with paragraph 1.18.2.

### 1.18.5 Authority Directions

The Authority may, following such consultation with the Licensee as the Authority considers appropriate, direct the Licensee to take such steps as may be specified in a written direction,

and in such manner as may be so specified, to review and improve the practices, procedures and systems it has established to comply with this Condition.

1.18.6 Compliance with Directions

The Licensee shall comply with any direction issued under paragraph 1.18.5 from the date specified in the direction.

1.18.7 Definitions

In this Condition –

<b>“Registration Request”</b>	means an application from a gas supplier for it to be registered as the supplier responsible for supplying gas to the supply meter point at the premises specified in the application; and
<b>“Supplier Transfer”</b>	means the transfer of responsibility for the supply of gas, to a supply meter point at premises connected to the Licensee’s Network, from one gas supplier to another gas supplier

## **Condition 1.19: Prohibition of Discrimination in provision of services [Low pressure]**

### 1.19.1 Application

This Condition shall apply to the Licensee where it conveys, or is authorised to convey, gas through distribution pipe-lines.

### 1.19.2 Non-Discrimination

The Licensee shall in:

- (a) meeting its obligations under this Licence;
- (b) providing services consisting of, or connected with:
  - (i) the conveyance of gas; and
  - (ii) connections to its Network; and
- (c) providing services under or pursuant to the Network Code,

not show any undue preference towards or undue discrimination against any gas supplier or case or classes of cases of gas supplier, including in particular undue preference towards any affiliate or related undertaking of it which is a gas supplier.

## **Condition 1.20: Provision of Information to Gas Suppliers [Low pressure]**

### 1.20.1 Application

This Condition shall apply to the Licensee where it conveys, or is authorised to convey, gas through distribution pipe-lines.

### 1.20.2 Practices, Processes and Systems

The Licensee shall ensure that its practices, processes and systems facilitate the provision of information to, and between, Gas Suppliers which:

- (a) by virtue of or in accordance with the Network Code or other industry code, agreement or practice, is available to or held by the Licensee; and
- (b) relates to or ascertains the consumption of gas by a Customer at premises connected to the Licensee's Network.

### 1.20.3 Customer Information Requests

The Licensee shall within five working days of receiving a Customer Information Request from a gas supplier, provide to that gas supplier the information specified in the Customer Information Request where that information is available to or held by the Licensee.

### 1.20.4 Definitions

In this Condition:

<b>Customer Information Request</b>	means a request, made in such form and in such manner as may be determined from time to time by the Authority, for information relating to the consumption of gas by the Customer at the premises identified, and for the period specified, in the request.
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**PART 2: CONDITIONS APPLICABLE TO THE CONVEYANCE OF GAS BY THE LICENCE HOLDER**

**Condition 2.1: Territorial Scope**

2.1.1 Territorial Scope

The Licensee is authorised to convey gas from one place to another in the Licensed Area and is further authorised to convey gas in other areas in Northern Ireland in order to convey gas to the Licensed Area.

2.1.2 Conveyance of Gas for Transshipment

Nothing in Condition 2.1.1 shall exclude the entitlement of any other person authorised by licence or exemption to convey gas through pipe-lines in the Licensed Area.

**Condition 2.2: Conveyance Charges, Other Terms for the Conveyance of Gas and the provision of Conveyance services**

2.2.1 Determination of conveyance charges by the Licensee

The Licensee shall establish the methods and principles on which conveyance charges shall be determined for gas suppliers wishing and entitled to use the Network and the Licensee shall publish the same in accordance with Condition 2.2.2 and 2.2.8.

2.2.2 Publication of conveyance charges and other terms for the conveyance of gas

Subject to Condition 2.2.3:

- (a) the Licensee shall no later than 1 October in each preceding year for the forthcoming year publish, in such manner as will secure adequate publicity for it, a statement of:
  - (i) its conveyance charging methodology for the use of the Network by gas suppliers for the forthcoming year, by which any such gas supplier may reasonably be able to calculate applicable conveyance charges; and
  - (ii) its other terms for the use by them of the Network (and in relation to the Network Code by reference to the Network Code);
- (b) the Licensee shall send a copy of any such statement to any person who asks for one,

and subject to Condition 2.2.4(b) such statement shall clearly distinguish cases and classes of cases of gas supplier for whom the conveyance charging methodology may result in differing conveyance charges.

2.2.3 Approval of Authority to conveyance charges and other terms for the conveyance of gas

No later than one month and five working days before it intends to publish its statement under Condition 2.2.2 the Licensee shall notify the Authority of the contents of that statement, and:

- (a) provide the Authority with such information as will enable the Authority to be reasonably satisfied that the methodology and principles for the conveyance charges have been determined in accordance with the provisions of Condition 2.2.8;
- (b) provide the Authority with an explanation of the other terms for conveyance set out in the statement; and
- (c) prior to publication obtain the Authority's approval to the form and content of that statement.

#### 2.2.4 Charging for the conveyance of gas and prohibition on undue discrimination

The Licensee shall:

- (a) unless the Authority otherwise consents, not charge for the conveyance of gas in the Network during any year or apply other terms for the conveyance of gas on any basis other than contained in its statement of conveyance charges published under Condition 2.2.2 in respect of that year;
- (b) not show any undue preference towards or undue discrimination against any gas supplier or case or classes of cases of gas supplier in the conveyance charges made or other terms for the conveyance of gas applied in relation to the Network; and
- (c) within 28 days of receiving a request for the quotation of conveyance charges for specified conveyance services by a gas supplier, provide the gas supplier with a specific statement of the conveyance charges and other terms for the conveyance of gas applicable to the conveyance services for which the gas supplier requested a quotation;

and for the purposes of Condition 2.2.4(c) and the Licensee's obligation to provide a specific statement of conveyance charges, a request for the quotation of conveyance charges for specified conveyance services shall be treated as such if it is in such form as the Licensee can reasonably be expected to provide a specific statement of conveyance charges in return.

#### 2.2.5 Licensee's obligation to provide services for the conveyance of gas in accordance with the Network Code



2.2.6 The Licensee shall provide gas suppliers with conveyance services in accordance with the Network Code.

2.2.7 Resolution of Disputes

The Authority may, on the application of the Licensee or any person entitled (or claiming to be entitled) to be provided with conveyance services by the Licensee, provided that the Authority shall have first given the Licensee not less than one month in which to make representations regarding such application, settle any dispute between the Licensee and any person entitled (or claiming to be entitled) to be provided with conveyance services, in so far as it relates to any of the following matters and at any time thereafter the Licensee shall provide a gas supplier with conveyancing services:

- (a) in accordance with the conveyance charges and/or other terms for the conveyance of gas and where applicable the Licensee's connection charges, as determined by the Authority pursuant to any party referring the matter to it for such determination where the gas supplier is willing to accept the same and the Licensee has otherwise refused to provide such conveyancing services; and
- (b) notwithstanding the provisions of Conditions 2.2.1 and 2.2.2, in accordance with a price determined by the Authority as will allow the Licensee to obtain appropriate recompense in accordance with any then applicable charging regime of the Licensee approved by the Authority and then in force and, where applicable, the Licensee's connection charges, and on such other terms as the Authority reasonably considers appropriate in all the circumstances, including terms as to the Network Code, or as may establish modify or amend a Network Code, where the Licensee's conveyance charges and other terms for the conveyance of gas and/or the Network Code:
  - (i) are insufficient to the reasonable satisfaction of the Authority for the conveyance services sought by the gas supplier;
  - (ii) the Licensee and gas supplier have been unable to reach agreement on appropriate terms; and
  - (iii) the gas supplier is willing to accept the Authority's determination;

provided that for the purposes of this Condition 2.2.6 the Authority is satisfied that any determination would not prejudice the efficient and safe operation of the Network or the conveyance by the Network of:

- (c) the quantities of gas which the Licensee requires or may reasonably be expected to require to be conveyed by the Network to enable the Licensee to comply with the conditions of the licence and
- (d) the quantities of gas of any person who has a right to have gas conveyed by the Network is entitled to require to be so conveyed in exercise of that right.

#### 2.2.8 Additional duty to provide information

The Licensee shall advise the Authority by a report provided to the Authority of:

- (a) the number of separate arrangements with gas suppliers for gas conveyancing services provided; and
- (b) the volumes of gas offtaken from the Network by gas suppliers including its own Separate Business, if any, engaged in the supply of gas.

#### 2.2.9 Direction by the Authority

- (a) Where the Authority determines that it is necessary for the Licensee to revise:
  - (i) the methods and principles on which it has determined the conveyance charges as provided in the Licensee's latest published statement and/or
  - (ii) the conveyance charges and other terms for the conveyance of gas determined and included in its latest published statement

in order to ensure that they are (or continue to be) proportionate and applied in a non-discriminatory manner, the Authority may direct the Licensee to revise its methods, principles, charges or terms (as the case may be) in accordance with the provision of the direction.

- (b) The Licensee shall comply with the requirements of any direction issued by the Authority under this Condition 2.2.8 and shall publish a revised statement in accordance with Conditions 2.2.2 and 2.23.

### **Condition 2.3: Connection Charges and Obligation to permit a Connection**

#### **2.3.1 Statement of connection charges and, terms for connection and meter connections and disconnections**

Subject to Conditions 2.3.2 and 2.3.3, the Licensee shall no later than 3 months after the coming into force of this licence give the Authority a statement for the approval of the Authority as to form and content showing the methods by which and the principles on which charges are to be determined by the Licensee, for:

- (a) connecting any premises to the Network, maintaining, repairing and renewing the connection and disconnecting the premises and removing gas fittings owned by it and comprised in the connection;
- (b) connecting and disconnecting non standard gas meters and gas meters not owned by the Licensee in any premises;
- (c) connecting to the Network any pipe-line system to or from which gas will be conveyed by means of the Network and maintaining, repairing and renewing the connection; and
- (d) connecting to the network any Storage Facility and any LNG Facility,

and in any such case the Licensee shall when giving such a statement include in that statement the Licensee's other terms for the connection and an explanation of those terms together with the Licensee's technical design and operational requirements which shall apply to the making of any connection, including in particular a connection referred to in paragraphs (c) and (d) above.

#### **2.3.2 The statement and cases and classes of cases**

The statement given by the Licensee under Condition 2.3.1 shall:

- (a) subject to Condition 2.3.5(b), clearly distinguish cases and classes of cases of person for whom the Licensee proposes different methods or principles for connection; and

- (b) in respect of any such case or class of cases show that element of connection costs the Licensee proposes to recover by way of conveyance charges to gas suppliers including any Separate Business engaged in the supply of gas.

2.3.3 The statement to give likely indication of costs and additional duty to provide information

Any statement given under Condition 2.3.1 shall also for the Authority's information where practicable indicate the costs likely to arise in respect of work done and materials used in connecting any premises, non standard gas meters, gas meters not owned by the Licensee or pipe-line system and the Licensee shall:

- (a) prepare the statement in such a manner as will reasonably enable a person to estimate the Licensee's connection charges in those circumstances; and
- (b) enable a person requesting a connection in those circumstances to determine what works or other actions he would need to undertake, including without limitation any work or action required to comply with the Licensee's technical design and operation requirements for the Licensee to provide the connection.

2.3.4 Authority's consent required to stated connection charges and publication of statement

Subject to the Authority's prior approval to the form and contents of any statement given by the Licensee under Condition 2.3.1 as they relate to charges for connection, the Licensee shall:

- (a) publish that statement in such manner as will secure adequate publicity for it; and
- (b) send a copy of any such statement to any person who asks for one;

and in approving the basis for charging for connection the Authority shall have regard to the need of the Licensee to be able to finance the carrying on of its activities and a return equal to that which in the reasonable opinion of the Authority is appropriate.

2.3.5 Connection charges and terms for connection and prohibition on undue discrimination and connection of pipe-line systems

The Licensee shall:

- (a) not charge for a connection of premises, of any non standard gas meter, gas meter not owned by it or any pipe-line system to the Network on any basis or establish other terms for the connection on any basis other than contained in the statement published under Condition 2.3.4;
- (b) not show any undue preference towards or undue discrimination against any person or case or classes of cases of person seeking a connection of premises to the Network, or of any non standard gas meter, or gas meter not owned by the Licensee or any person who operates or proposes to operate a pipe-line system, in relation to the connection of that system to the Network and, in the case of a pipe-line system to be connected to the Network, the Licensee shall not refuse a request for connection where the person seeking the connection is willing to pay the Licensee's charges for connection and comply with the Licensee's other terms for connection, including any terms as to technical and safety matters; and
- (c) within 28 days of receiving a request for the quotation of connection charges covered by the published statement, provide the person requesting the quotation with a specific statement of the connection charges and other terms of connection applicable to the request for a quotation;

and for the purposes of Condition 2.3.5(c) and the Licensee's obligation to provide a specific statement of connection charges, a request for the quotation of connection charges shall be treated as such if it is in such form as the Licensee can reasonably be expected to provide a specific statement of connection charges in return.

#### 2.3.6 Direction by the Authority

- (a) Where the Authority determines that it is necessary for the Licensee to revise:
  - (i) the methods and principles on which it has determined the charges and other terms for connection in the latest published statement; and/or
  - (ii) the charges and other terms for connection it has determined and included in the latest published statement
- (b) in order to ensure that they are (or continue to be) proportionate and applied in a non-discriminatory manner, the Authority may direct the Licensee to revise its

methods, principles, charges or terms (as the case may be) in accordance with the provisions of the direction.

- (c) The Licensee shall comply with the requirements of any direction issued by the Authority under this Condition 2.3.6 and shall publish revised statements as soon as reasonably practicable in accordance with Condition 2.3.4.

#### 2.3.7 Revising connection charges

Without prejudice to Condition 2.3.6, the Licensee shall not revise the basis of its charges for a connection of any premises, any non standard gas meter, any gas meter not owned by it or any pipe-line system to the Network, or the other terms for the connection without first giving the Authority a revised statement in the same terms as in Condition 2.3.1 and obtaining the Authority's approval to such a revision in the same terms as Condition 2.3.4.

#### 2.3.8 Resolution of disputes by the Authority

The Authority may, on the application of any person entitled (or claiming to be entitled) to require a connection to the Network will refer the application in the first instance to the General Consumer Council who will try to resolve the dispute provided that the General Consumer Council shall give the Licensee not less than one month in which to make representations regarding such application:

- (a) the General Consumer Council will settle any dispute between the applicant and the Licensee in so far as it relates to the provision or making of a connection by the Licensee; and
- (b) in particular, determine the charges and other terms on which the Licensee shall (notwithstanding Condition 2.4.6) provide or make the connection in question (where the applicant is willing to accept the same)

in such manner as the Authority considers appropriate having regard to (in so far as is appropriate) the obligations that would otherwise have applied to the Licensee under Condition 2.3.5 and the relevant objective as defined in Condition 2.4.1. If the General Consumer Council is unable to resolve the dispute the application will be referred back to the Authority. The Authority will try to resolve the dispute with reference to conditions 2.3.8(a) and 2.3.8(b)

### 2.3.9 Explanation of connection charging methodology for introducing gas to the Network

The Licensee shall comply with any direction given by the Authority to furnish it with a statement showing, so far as reasonably practicable, the methods by which and the principles on which charges are to be made by the Licensee for making a connection for the purposes of introducing gas into the Network and, in the context of making such a connection, for:

- (a) modifying apparatus and works associated with a high pressure pipe-line so as to increase the capacity of the pipe-line; or
- (b) supplying and installing any pipe-line or works;

including where practicable an indication of likely costs and the other terms for doing so.

### 2.3.10 Authority's consent required for charges and other terms for introducing gas to the Network and prohibition on undue discrimination and connections for introducing gas to the Network

The Licensee shall not:

- (a) charge for a connection to introduce gas to the Network on any basis or on any other terms without the consent of the Authority; and
- (b) show any undue preference towards or undue discrimination against any person seeking a connection to introduce gas to the Network and, in the case of a connection to introduce gas to the Network, the Licensee shall not refuse a request for connection where the person seeking the connection is willing to pay the Licensee's charges for connection and comply with the Licensee's other terms for connection, including any terms as to technical and safety matters.

### 2.3.11 Publication of connection charge statements

The Licensee shall:

- (a) publish a statement of the basis of its connection charges for introducing gas to the Network and its other terms for connection as the Authority has consented to under Condition 2.3.10 in such manner as will secure adequate publicity for it; and

- (b) send a copy of any such statement to any person who asks for one.

#### 2.3.12 Obligation to permit a connection

Subject to a person who has a licence or exemption to convey gas:

- (a) satisfying any technical and safety criteria contained in the Network Code; and
- (b) satisfying the Licensee's technical design and operational requirements; and
- (c) paying to the Licensee a connection fee (determined by the Licensee except insofar as the Authority otherwise directs or determines under Condition 2.3.8(b)), to connect a pipe- line between the Network and the premises, then the Licensee shall permit a connection to the Network by that person.

#### 2.3.13 Reasons for Refusal

Where the Licensee refuses a request for connection to the Network it shall provide duly substantiated reasons for doing so.

#### 2.3.14 Interpretation and construction

References in this Condition to:

"charges" shall include references to means whereby such charges may be ascertained.



## **Condition 2.4: Network Code**

### 2.4.1 The relevant objective

The Licensee shall establish arrangements for the conveyance of gas, being arrangements other than those to which Conditions 2.2 and 2.3 relate, which are calculate to facilitate the achievement of the "relevant objective", that is to say:

- (a) the secure, safe, reliable, efficient and economic development and operation and maintenance of the Network with due regard to the environment; and
- (b) where the Licensee is responsible for the balancing of the Network, the balancing of the Network pursuant to rules for that purpose which are objective, transparent and non-discriminatory (including the rules for the charging of system users for energy imbalances); and
- (c) subject thereto:
  - (i) compliance with the Licensee's other obligations under this Licence Document; and
  - (ii) subject to Condition 2.4.1(c)(i) the promotion of effective competition between Users.

### 2.4.2 The Network Code

The Licensee shall:

- (a) prepare and provide the Authority for its approval a "Network Code", that is to say a document setting out the arrangements established under Condition 2.4.1 and the terms on which it will enter into such arrangements with Users for the conveyance of gas, by no later than 3 months after the date of Grant of the Licence;
- (b) ensure that Network Code shall contains provisions that establish:
  - (i) the measures that the Licensee will put in place for the balancing of the Network;

- (ii) the methodology used by the Licensee to procure the gas required for balancing the Network;
  - (iii) the methodology by which the charges to be levied on Users for the balancing of the Network are to be determined; and
  - (iv) the technical safety criteria applicable to the operation of the Network;
- (c) put such Network Code in place except as the Authority otherwise consents and comply with the provisions of the approved Network Code; and
- (d) put in place appropriate contractual arrangements, approved by the Authority, which require compliance with the Network Code by the Licensee, the Users, and any third parties who may become parties to the Network Code; and
- (e) except in so far as the Authority consents to the Licensee doing so, not enter into any arrangements for the conveyance of gas except in accordance with the provisions of the Network Code applicable from time to time to the circumstances of the case.

#### 2.4.3 Referring Matters to the Authority

Where a term of the Network Code or of the modification rules referred to in Condition 2.4.5 is framed so that its proper implementation is to be determined with regard to whether it facilitates the achievement of the relevant objective, either the Licensee or any other party to the Network Code who has entered into arrangements to which that term applies, may, to the extent that the term so provides, refer to the Authority for determination any question as to whether a manner in which the Licensee proposes to implement the term would secure that objective.

#### 2.4.4 Modification of the Network Code

The Licensee shall establish and implement procedures for the modification of the Network Code by the Licensee, subject to the provisions of this Condition, so as to better facilitate the achievement of the relevant objective and which will enable:

- (a) the Network Code to be reviewed;

- (b) modifications to be proposed by the Authority, the Licensee or by any other party to the Network Code;
- (c) adequate publicity to be given to any proposal by:
  - (i) drawing it to the attention of other parties to the Network Code;
  - (ii) sending a copy of it to anyone who asks for one; and
  - (iii) making it otherwise available in an appropriate manner where it is necessary for establishing whether the proposal would better facilitate the achievement of the relevant objective;
- (d) the preliminary views of the Authority to be sought in relation to any matter arising on a proposal to modify the Network Code; and
- (e) the representations or objections, with respect to any proposal to modify the Network Code, made (and not withdrawn) by other party to the Network Code and by other persons who are likely to be materially affected by the proposal to be properly considered.

#### 2.4.5 Modification Rules

The Licensee shall:

- (a) prepare "the modification rules", that is to say a document setting out the terms of the procedures established under Condition 2.4.4, and shall furnish the Authority with a copy of the modification rules;
- (b) not make any modification to the modification rules except:
  - (i) after consulting the other parties to the Network Code;
  - (ii) after furnishing the Authority with a report on such consultation and consideration; and
  - (iii) with the consent of the Authority; and
- (c) furnish the Authority with a copy of any modification so made.

#### 2.4.6 Prohibition on irregular modification

The Licensee shall not make any modification to the Network Code except:

- (a) to comply with Condition 2.4.7(c); or
- (b) with the consent of the Authority;

and shall furnish the Authority with a copy of any modification made.

#### 2.4.7 Role of Authority in modifications

Where a proposal is made pursuant to the modification rules to modify the Network Code, the Licensee shall:

- (a) refer for determination by the Authority any question whether the representations or objections by any other party to the Network Code or by any other person in respect of the proposal have been properly considered in accordance with those rules;
- (b) as soon as reasonably practicable, give notice to the Authority:
  - (i) giving particulars of the proposal;
  - (ii) where the proposal is made by any other party to the Network Code, giving particulars of any alternative proposal by the Licensee to modify the Network Code in respect of the same matter;
  - (iii) giving particulars of any representations or objections made by a party to the Network Code or by any other person in respect of those proposals;
  - (iv) stating whether, in its opinion, any proposed modification should or should not be made;
  - (v) stating the factors which, in its opinion, justify making or not making the proposed modification; and
  - (vi) giving such further information as may be prescribed by the modification rules; and

- (c) comply with any direction given by the Authority to make a modification to the Network Code in accordance with a proposal described in a notice given to the Authority under sub-paragraph (b) which, in the opinion of the Authority will, as compared to the existing provisions of the Network Code or any alternative proposal, better facilitate the achievement of the relevant objective.

#### 2.4.8 Publication of Network Code

The Licensee shall:

- (a) publish the Network Code and the modification rules as modified from time to time in such form and manner as the Authority may from time to time direct; and
- (b) send a copy of the Network Code and modification rules as modified from time to time to any person who asks for one on payment of a charge in respect of the cost incurred by the Licensee in complying with this requirement which does not exceed such amount as the Authority may from time to time direct.

#### 2.4.9 Authority to determine material affect on persons of transportation arrangements

Except in so far as the Authority otherwise consents, the Licensee shall refer for determination by the Authority any question as to whether a person is likely to be materially affected by transportation arrangements or by a proposal to modify the Network Code.

#### 2.4.10 Reasons for refusal of access

The Network Code prepared in accordance with this Condition shall require the Licensee to give duly substantiated reasons for any refusal of access to the Network.

#### 2.4.11 Prohibition on undue discrimination

The Licensee shall not show an undue preference for or undue discrimination against any person or class or classes of person:

- (a) in assessing a person's application to become a party to the Network Code; and/or
- (b) in its interpretation of the Network Code and the application of procedures contained in the Network Code.

#### 2.4.12 Definitions

In this Condition:

<b>“User”</b>	means, as the context requires, any gas supplier or any person acting on behalf of a gas supplier, who has made, or seeks to make, arrangements with the Licensee in pursuant of which gas is, or is to be, conveyed through the Network.
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## **Condition 2.5: Compliance with System Operator Agreements**

### **2.5.1 Agreements for interoperability of systems**

Where the licensee is under and in accordance with Article 8H of the Order designated as a transmission system operator or is designated as a distribution system operator (as the case may be), it shall use all reasonable endeavours to enter into an agreement with:

- (a) any other person holding a licence granted under Article 8(1)(a) of the Order;
- (b) any person holding a licence granted under Article 8(1)(b) of the Order; and
- (c) any person holding a licence granted under Article 8(1)(d) of the Order,

which agreement:

- (d) relates to the interaction or interoperability of the Licensee's Network with that person's gas transmission system, gas distribution system, gas storage facility or LNG facility (as the case may be); and
- (e) ensures that the conveyance of gas between the Licensee's Network and that other system or facility is undertaken in a manner which is compatible with the secure and efficient operation of the Licensee's Network and that other system or facility.

### **2.5.2 Minimum Requirements – Technical Rules**

Each agreement entered into by the Licensee in accordance with Condition 2.5.1 shall set out (either directly or by reference to a separate document) the Licensee's technical design and operational requirements as applicable to the connection, interaction and interoperability between the Licensee's Network and the other system or facility, which requirements shall be objective and shall not show any undue discrimination between persons or classes of person.

### **2.5.3 Approval by the Authority**

The Licensee shall not require any person to enter any agreement of the type referred to in Condition 2.5.1 unless the agreement, and where applicable any amendment to the agreement, has first been submitted to and approved by the Authority.

#### 2.5.4 Obligation to enter into agreements

Where the Licensee is required, either by a designated transmission system operator or by a designated distribution system operator (and in accordance with that person's licence), to enter into an agreement of the type mentioned in Condition 2.5.1, the Licensee shall enter into any such agreement as may be reasonably required by that designated transmission system operator or distribution system operator (as the case may be).

#### 2.5.5 Network operator agreement

Without prejudice to Condition 2.5.4, where the Licensee is a designated transmission system operator it shall enter into and comply with the Northern Ireland Network Operators Agreement (being the document of that name specified as such from time to time by the Authority).



## **Condition 2.6: Conduct of Transportation Business**

### **2.6.1 Conduct of business activities - transmission**

Where the Licensee conveys gas, or is authorised to convey gas, through transmission pipelines it shall conduct its business activities relating to the conveyance of gas in the manner best calculated to secure that neither:

- (a) the Licensee or any affiliate or related undertaking of it or any company of which the Licensee is an affiliate or related undertaking; nor
- (b) any other licence holder or exemption holder,

obtains any unfair commercial advantage in any business in the storage or supply of gas including, in particular, any such advantage from a preferential or discriminatory arrangement.

### **2.6.2 Conduct of business activities – distribution**

Where the Licensee conveys gas, or is authorised to convey gas, through distribution pipelines it shall conduct its business activities relating to the conveyance of gas (including any activities relating to the making of arrangements with other network operators for the conveyance of gas through their networks for the purposes of Condition 2.19) in the manner best calculated to:

- (a) facilitate effective competition in the gas supply market in Northern Ireland; and
- (b) secure that neither:
  - (i) the Licensee or any affiliate or related undertaking of it or any company of which the Licensee is an affiliate or related undertaking; nor
  - (ii) any other licence holder or exemption holder,

obtains any unfair commercial advantage in any business in the storage, supply or conveyance of gas including, in particular, any such advantage from a preferential or discriminatory arrangement.

### 2.6.3 Disclosure of information

The Licensee shall:

- (a) use its best endeavours to secure that any information relating to or derived from its Licensed Business is not disclosed for the benefit, or used for the purposes, of:
  - (i) any trading business, affiliate or (so far as the Licensee can require it) related undertaking of the Licensee;
  - (ii) any company of which the Licensee is an affiliate or related undertaking;  
and
- (b) subject to paragraph (a) above, not show any undue discrimination against or undue preference towards any person or class of person in disclosing any information relating to its Licensed Business which be commercially advantageous to any other person..

### 2.6.4 Exempt information

Condition 2.6.2 shall not extend to:

- (a) information received by the Licensee which is relevant to any trading business of the Licensee; or
- (b) information specified in any consent to non-compliance with that Condition given by the Authority to the Licensee; or
- (c) information relating to a particular licence or exemption holder which that party has consented in writing to being used or disclosed in accordance with the terms of that consent; or
- (d) information which it is necessary for the trading business to use or disclose in order to enter into and comply with arrangements for the conveyance of gas; or
- (e) information which is in the public domain (other than as a result of contravention by the Licensee of any Condition of the licence) or
- (f) information which is required to be disclosed pursuant to a Condition of the licence.

2.6.5 Additional definition

In this Condition:

<b>"trading business"</b>	means activities connected with the acquisition and disposal of gas in Northern Ireland other than for the efficient operation of the Network operated by the Licensee or for replacing gas lost from the Network.
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## **Condition 2.7: Provision of information to a relevant gas licence holder**

### **2.7.1 Obligation to provide information**

The Licensee shall furnish to any relevant gas licence holder such information concerning the operation and technical specifications of the Network in such manner and at such times as may:

- (a) reasonably be required by that relevant gas licence holder to enable it to comply with its obligations under its own gas conveyance or gas storage licence or under any document established pursuant to a gas licence; or
- (b) be specified in directions issued from time to time by the Authority to the Licensee for the purpose of this Condition 2.7.1, having taken into consideration any representations made to the Authority by the Licensee and any relevant gas licence holder, and in accordance with any conditions contained in such directions.

### **2.7.2 Ability to refuse**

The Licensee shall be entitled to refuse to provide information under Condition 2.7.1 on the grounds that its disclosure would seriously and prejudicially affect the commercial interests of the Licensee unless and until the Authority, by notice in writing given to the Licensee, directs it to provide that information on the ground that provision thereof is necessary or expedient for the purpose mentioned in Condition 2.7.1.

### **2.7.3 Excluded information**

This Condition 2.7 shall not require the Licensee to produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before the High Court.

### **2.7.4 Arrangements for protecting confidentiality**

The Licensee shall not be obliged under Condition 2.7.1(a) to provide information to any relevant gas licence holder which has not established, whether in pursuance of a licence condition or otherwise, effective arrangements designed to secure that information provided in pursuance of this condition (and similar licence conditions) is not communicated, directly or indirectly, to any gas supplier or any person acting on behalf of

a gas supplier who has made or seeks to make arrangements with that licensee in pursuance of which gas is conveyed through that licensee's network.

#### 2.7.5 Definitions and interpretation

In this Condition 2.7, unless the context otherwise requires:

- (a) "relevant gas licence holder" means any holder of a licence granted pursuant to Article 8(1)(a) or 8(1)(b) of the Order and/or any holder of a licence to convey (whether by transmission pipe-lines or distribution pipe-lines) or store gas granted under the relevant legislation of a jurisdiction other than Northern Ireland; and
- (b) references to "licence" and "gas supplier" shall not be limited to licences granted under, or gas suppliers operating pursuant to licences or exemptions granted under, the Order.

## **Condition 2.8: Emergency Services and Obligations**

### 2.8.1 Emergency telephone service

The Licensee shall in co-ordination with all other relevant persons:

- (a) establish, or procure the establishment of, and subsequently operate and maintain or procure the subsequent operation and maintenance of a single continuously attended telephone service (including reasonable facilities to communicate with deaf or partially hearing persons):
  - (i) for the receipt of reports of escapes of gas in respect of which the Licensee or such other relevant persons may have obligations under Article 60 of the Order or under any regulations made by the Department under Schedule 5 paragraph 2 of the Order; and
  - (ii) for the Licensee to be informed of any escapes of gas in respect of which it may have such obligations; and
- (b) secure adequate publicity for the service and its telephone number, having regard, in particular, to the special needs of blind or partially sighted persons.

### 2.8.2 Prevention of gas escapes

Where any gas escapes from the Network the Licensee shall, as soon as reasonably practicable of being informed of the escape, attend the place where gas is escaping and the Licensee shall take all necessary steps to prevent an escape of gas from any part of the Network or otherwise in any premises within 12 hours of receiving a report of such an escape (or earlier if becoming aware of the same); and subject to Condition 2.8.3, the Licensee shall make arrangements whereby, in preventing an escape of gas in any premises to which it conveys gas:

- (a) the prevention is effected, so far as it is reasonably practicable and safe to do so:
  - (i) in such a way as to maintain the supply of gas to those premises and to appliances designed for use by domestic consumers for heating or cooking;
  - (ii) by carrying out any appropriate minor appliance repairs; and

- (iii) by a person adequately trained in recognising the signs of leakage of carbon monoxide and instructed to report any such signs to the owner or occupier of the premises; and
- (b) if further repair work is required, information is given to the owner or occupier of the premises or, in their absence, left at the premises as to persons in the locality who are permitted pursuant to regulations under the Health and Safety at Work (Northern Ireland) Order 1978 to perform repairs on gas fittings.

### 2.8.3 Carrying out of work

Nothing in Condition 2.8.2 shall oblige the Licensee to carry out any work which cannot be completed within 30 minutes of entering the premises for the purpose of preventing the escape or would use materials costing more than £4.00 adjusted annually in line with the retail price index from September 1996 .

### 2.8.4 Special arrangements for pensioners, etc

Unless it has already done so, the Licensee shall make arrangements whereby, so far as is reasonably practicable, the occupier of any premises to which gas is conveyed by the Licensee who:

- (a) is a domestic consumer;
- (b) is chronically sick, disabled or of pensionable age;
- (c) does not share the occupancy of the premises with any person who is not chronically sick, disabled or of pensionable age or a minor; and
- (d) is included in the list of domestic consumers information in respect of which has been provided to the Licensee by any gas supplier under the conditions of that party's licence or exemption;

is not deprived of adequate heating and cooking facilities where the conveyance of gas to those premises has been disconnected for the purpose of averting danger to life or property.

#### 2.8.5 Modification of arrangements

The Licensee shall maintain the arrangements made by it in relation to the matters referred to in Condition 2.8.4, with such modifications to which the Authority consents.

#### 2.8.6 Application of Condition 2.8.7

Condition 2.8.7 shall apply in relation to:

- (a) non-domestic consumers who are supplied with gas on terms on which the supply of gas may only be interrupted or reduced in pursuance of such a term of that consumer's contract for the supply of gas or in pursuance of directions given under section 2(1)(b) of the Energy Act 1976; and
- (b) the premises of such non-domestic consumers.

#### 2.8.7 Priority for maintenance of supply

Where the Licensee considers that, for reasons of safety (unrelated to particular premises or a particular locality), the supply of gas to any non-domestic consumer to whom this Condition applies or the conveyance of gas to their premises needs to be interrupted, reduced or restricted, it shall, so far as is reasonably practicable in the circumstances having regard to the over-riding importance of safety:

- (a) when telling a non-domestic consumer that he should use his best endeavours to refrain from using gas, in pursuance of such a term of that consumer's contract for the supply of gas or
- (b) when interrupting or restricting the conveyance of gas,

give priority to the maintenance of the supply of gas to consumers on the priority list required by Condition 2.8.9 and the conveyance of gas to their premises.

#### 2.8.8 Consultation with the Department

Where the reasons of safety referred to in Condition 2.8.7 relate to the whole or a substantial part of Northern Ireland or there is a significant shortage of gas affecting the whole or a substantial part of Northern Ireland, the Licensee shall consult with the Department on the taking of any such steps as are mentioned in Condition 2.8.7 (a) or (b)



and, so far as is reasonably practicable in the circumstances having regard to the overriding importance of safety, shall do so before taking any such steps.

#### 2.8.9 Priority List

The Licensee shall:

- (a) unless it has done so before being licensed, establish a list of non-domestic consumers who should be given priority as respects the maintenance of a supply of gas and the maintenance of the conveyance of gas to their premises; and
- (b) review, and so far as appears appropriate, amend the list from time to time, after consultation with relevant gas suppliers, and, without prejudice as aforesaid, shall conduct such a review and make any such amendments on being directed so to do by the Department;

and, if the Department has designated criteria to be taken into account when such a list is established or revised, the Licensee shall so take account of those criteria.

#### 2.8.10 Determination by the Department

Any question arising under this Condition as to whether a particular non-domestic consumer satisfies the designated criteria shall be determined by the Department.

#### 2.8.11 Definition

In this Condition 2.8:

<b>“relevant persons”</b>	means all persons that undertake in Northern Ireland the activities specified in Article 6(1)(a) of the Order.
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## **Condition 2.9: Maintenance of Records**

### 2.9.1 Recorded information

The Licensee shall hold in an appropriate form recorded information, insofar as the Licensee is reasonably able to acquire it, as to:

- (a) every premises and pipe-line system to which gas has been conveyed by means of the Network during the relevant period;
- (b) every third party who has arranged with the Licensee for gas to be conveyed by means of the Network at any place referred to in Condition 2.9.1(a) during the relevant period;
- (c) insofar as the Licensee has been furnished with the information, in respect of each premises referred to in Condition 2.9.1(a) every gas supplier who has supplied during the relevant period gas which has been conveyed to those premises by means of the Network;
- (d) insofar as the Licensee has been furnished with the information, the ownership of every meter first installed after the outlet of the final control valve of the service pipe at any premises referred to in Condition 2.9.1(a) for ascertaining the quantity of gas conveyed to the premises by means of that system during the relevant period;
- (e) any information contained in a notice given to the Licensee under any regulations made by the Authority under Article 22 of the Order during the relevant period; and
- (f) any information which has been provided to the Licensee by any other licence or exemption holder whether directly or indirectly pursuant to the conditions of his licence or exemption.

### 2.9.2 Additional definition

In this Condition:

<b>"the relevant period"</b>	means the preceding five years or such shorter period to which the Authority may consent in respect of any of the above requirements.
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**Condition 2.10: Powers of Licensee under Article 13 of the Order**

2.10.1 The provisions of:

- (a) Schedule 2; and
- (b) Schedule 3;

of the Order shall apply to the Licensee.

## **Condition 2.11: Network Forecasts**

### **2.11.1 Network Forecasts**

The licensee shall comply with a direction given by the Authority to prepare a statement in such form as may be specified in the direction giving, with respect to each of the 10 succeeding years beginning with 1 June following the date of the grant of the Licence, such information by way of forecasts of:

- (a) the use, to the best of the Licensee's knowledge and belief, likely to be made of the Network or any part of the Network by persons authorised to convey, store or supply gas under Article 8 of the Order (including the Licensee and any affiliate or related undertaking of the Licensee); and
- (b) the likely developments to the Network which the Licensee expects from time to time to be taken into account in determining the charges for making connections to that system and for entering into arrangements for the conveyance of gas;

as will assist:

- (c) a person seeking to connect a pipe-line of his to the Network or enter into arrangements for the conveyance of gas in identifying and evaluating the opportunities for so doing; and
- (d) the Authority to monitor issues relating to security of supply.

### **2.11.2 Co-ordination with Statements of other Designated Pipe-line Operators**

Where the Licensee is a Designated Pipe-line Operator, the preparation of any statement in accordance with paragraph 1 shall, so far as possible be co-ordinated with the preparation of the corresponding or equivalent statement required to be produced by every other Designated Pipe-line Operator and such statements shall, so far as possible and save to the extent the Authority consents otherwise, be prepared on a consistent basis.

### **2.11.3 Revised Network forecasts**

Except in so far as the Authority consents to the Licensee not doing so, the Licensee shall, on an annual basis, prepare a revision of any statement prepared under Condition 2.11.1 so

as to ensure that, so far as reasonably practicable, the information in the revised statement is up to date.

#### 2.11.4 Provision and Publication of forecasts

The Licensee shall, subject to any requirement to comply as is appropriate with the listing rules (within the meaning of Part VI of the Financial Services and Markets Act 2000 ) of the Stock Exchange and with Condition 2.11.5:

- (a) no later than the tenth working day of June in each calendar year, furnish the Authority with a copy of the statement prepared under Condition 2.11.1 and of each revision of the statement prepared under Condition 2.11.3;
- (b) in such form and manner as the Authority may direct, publish a description of the statement and of each revision; and
- (c) send a copy of the statement and of each revision to any person who asks for one on payment of a charge in respect of the cost incurred by the Licensee in complying with this requirement which does not exceed such amount as the Authority may from time to time direct.

#### 2.11.5 Particular interests

In complying with the requirements of Condition 2.11.4(b) and (c), the Licensee shall have regard to the need for excluding, so far as practicable:

- (a) any matter which relates to the affairs of an individual, where the publication of that matter would or might seriously and prejudicially affect the interests of that individual; and
- (b) any matter which relates specifically to the affairs of a particular body of persons, whether corporate or unincorporated where publication of that matter would or might seriously and prejudicially affect the interests of that body.

#### 2.11.6 Determination by Authority of Particular interests

Except in so far as the Authority consents to the Licensee not doing so, the Licensee shall refer for determination by the Authority any question as to whether any matter seriously and prejudicially affects the interests of an individual or a body of persons.

2.11.7 Definition

In this Condition:

Designated Pipe-line Operator	has the meaning given to it in Condition 2A.1 of the Licence.
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## **Condition 2.12: Provision and Return of Meters [Low pressure]**

### **2.12.1 Application**

This Condition shall apply to the Licensee where it conveys, or is authorised to convey, gas through distribution pipe-lines.

### **2.12.2 Provision of Standard Meters**

The following provisions shall apply with respect to standard gas meters:

- (a) the Licensee shall at the request of any gas supplier wishing to supply gas to premises, install at those premises a standard gas credit or pre-payment meter to register the quantity of gas supplied to those premises. The Licensee shall, in setting its charges for the conveyance of gas, be entitled to recover from gas suppliers the additional cost in respect of the installation and maintenance of a pre-payment meter in accordance with principles and methodologies which the Authority has approved, provided that:
- (b) the provisions of Condition 2.12.1(a) shall not apply, and the Licensee shall be entitled to charge its full costs of providing installing and operating a replacement standard gas meter requested by the gas supplier in accordance with principles and methodologies approved by the Authority, if the gas suppliers' request is to replace an existing standard gas credit or prepayment meter at premises connected to the Network by means of a service pipe, with a like standard gas credit or prepayment meter, and the existing standard gas credit or prepayment meter may otherwise be utilised by the gas supplier and is operational within the limits of required accuracy;
- (c) the Licensee shall comply with the gas supplier's request prior to the commencement of the supply of gas to those premises by the gas supplier or at the request of the gas supplier at any time thereafter as soon as is reasonably practicable.

### **2.12.3 Provision of Non Standard Credit Meters and Pre-payment meters**

The Licensee shall:

- (a) comply with any reasonable request by any gas supplier wishing to supply gas to premises to provide and install at those premises a gas meter owned by the Licensee being a non standard gas credit or pre-payment meter (but being of an appropriate type), specified by the gas supplier if:
- (i) a meter of that type is readily available to the Licensee;
  - and
  - (ii) if the Licensee's capital, installation and (if any) operational costs of the non standard gas credit or pre-payment meter are greater than those like costs of a corresponding standard gas credit or pre-payment meter, as the case may be, then the Licensee shall be entitled to receive from the gas supplier the difference in the costs in accordance with principles and methodologies which the Authority has approved; or
  - (iii) if the Licensee's capital, installation and (if any) operational costs of the non standard gas credit or pre-payment meter are less than those like costs of a corresponding standard gas credit or pre-payment meter, as the case may be, then the Licensee shall pay the gas supplier the difference in the costs in accordance with the principles and methodologies which the Authority has approved;
- provided that if the gas supplier's request is to replace an existing gas meter at premises connected to the Network by means of a service pipe, and that meter may otherwise be utilised by the gas supplier and is operational within the limits of required accuracy, then the provisions of Condition 2.6.2(a)(i) and (ii) shall not apply and the Licensee shall be entitled to charge its full costs of providing, installing and operating the gas meter requested by the gas supplier in accordance with principles and methodologies approved by the Authority;
- (b) comply with a request under Condition 2.12.2(a) prior to the commencement of the supply of gas to those premises by the gas supplier or at the request of the gas supplier at any time thereafter as soon as is reasonably practicable.



#### 2.12.4 Installation of Gas Suppliers Meter

The Licensee shall:

- (a) comply with any reasonable request by any gas supplier wishing to supply gas to premises to install at those premises a gas meter of an appropriate type owned by the gas supplier (or the owner or occupier of the premises); and
  - (i) if the Licensee's, installation and (if any) operational costs relating to such a gas meter are greater than the capital, installation and (if any) operational costs of a corresponding standard gas credit or pre-payment meter, as the case may be, then the Licensee shall be entitled to receive from the gas supplier the difference in accordance with principles and methodologies which the Authority has approved; or
  - (ii) if the Licensee's installation and (if any) operational costs relating to such a gas meter are less than the capital, installation and (if any) operational costs of a corresponding standard gas credit or pre-payment meter, as the case may be, then the Licensee shall pay the gas supplier the difference in accordance with the principles and methodologies which the Authority has approved;

provided that if the gas supplier's request is to replace an existing gas meter at premises connected to the Network by means of a service pipe, and that meter may otherwise be utilised by the gas supplier and is operational within the limits of required accuracy, then the provisions of paragraphs (a)(i) and (ii) above shall not apply and the Licensee shall be entitled to charge its full costs of installation and operation of the gas meter requested by the gas supplier in accordance with principles and methodologies approved by the Authority;

- (b) comply with a request under paragraph (a) above prior to the commencement of the supply of gas to those premises by the gas supplier or at the request of the gas supplier at any time thereafter as soon as is reasonably practicable.

#### 2.12.5 Prohibition on undue discrimination

The Licensee shall not show any undue preference towards or undue discrimination against any gas supplier seeking the provision and/or installation of a gas meter under this Condition.

#### 2.12.6 Disconnection of Meters

Subject to Condition 2.12.7, where any gas meter owned by the Licensee is disconnected by or returned to the Licensee, it shall promptly make an appropriate record of the details displayed on the register of the meter at the time of disconnection or return and of such other information in its possession as shall subsequently enable the identity and time of disconnection or return of the meter and the premises from which it was disconnected to be ascertained and shall keep such a record for a period of not less than two years from the date of the later of such disconnection or return.

#### 2.12.7 Safe Custody of Meters

Where the Licensee has reasonable cause to believe that any gas meter owned by it and disconnected by or returned to it is the subject of:

- (a) any investigation in relation to proceedings or possible proceedings relating to the alleged theft of gas by any person; or
- (b) a dispute as to the accuracy of the meter;

the Licensee shall use all reasonable endeavours to keep the meter in safe custody in the condition in which it was disconnected or returned and with the register unaltered:

- (c) during the period of six months beginning with the date on which the meter was disconnected or returned, for so long as the Licensee continues to have reasonable cause to believe that the meter is or may be so relevant; and
- (d) thereafter for as long as, to the Licensee's knowledge, the meter is so relevant.

#### 2.12.8 Provision of Information

Where the Licensee is notified, pursuant to any regulations made under Article 22 of the Order, of the connection or disconnection of any meter at any premises for the purposes of that Article, it shall promptly give to the gas suppliers in respect of those

premises the information so notified and furnish any further information as such gas suppliers may reasonably request relating to the meter and which the Licensee either has or may readily obtain.

## **Condition 2.13: Distribution Marketing Code [Low pressure]**

### 2.13.1 Application

This Condition shall apply where the licensee conveys, or is authorised to convey, gas through distribution pipe-lines.

### 2.13.2 Requirement to Prepare etc. a Code

The Licensee shall, no later than three months after this Condition takes effect or such later date as the Authority directs and together with every other distribution system operator, prepare, submit to and have approved by the Authority a code of practice to be known as the Distribution Marketing Code.

### 2.13.3 The Code

The Distribution Marketing Code shall:

- (a) be designed to facilitate achievement of the relevant objectives set out in paragraph 2.13.4; and
- (b) make provision relating to the relevant matters set out in paragraph 2.13.5.

### 2.13.4 The Relevant Objectives

The relevant objectives are that:

- (a) the marketing activities of distribution system operators in respect of the conveyance of gas through distribution pipe-lines:
  - (i) are conducted in a fair, transparent, appropriate and professional manner;
  - (ii) avoid any preference or discrimination being shown to or against any gas supplier;
  - (iii) do not restrict, distort or prevent competition in the supply of gas;
  - (iv) do not lead to consumer confusion about the relationship between and activities of gas distribution and gas supply; and

- (b) any information provided by the Licensee (whether in writing, by electronic display or verbally) to consumers about the Licensee's business, including in particular about connections between consumers' premises and the Licensee's Network:
  - (i) is complete and accurate;
  - (ii) is capable of being easily understood by consumers;
  - (iii) does not name or otherwise show preference to or discrimination against any gas supplier;
  - (iv) does not mislead consumers to whom it is directed and is otherwise fair and accurate both in terms of its content and its presentation.

#### 2.13.5 The Relevant Matters

The relevant matters are:

- (a) the establishment and implementation of procedures for the selection of staff or other representatives who are employed or engaged in roles which involve or are likely to involve communication with consumers for the purpose of the Licensee's marketing activities;
- (b) the provision or procurement of appropriate training for staff or other representatives who will or are likely to communicate with consumers for the purpose of the Licensee's marketing activities, which training shall at least include training about the role, position and obligations of the Licensee as a gas distributor in respect of the Northern Ireland gas sector and about the Licensee's obligations under this Condition; and
- (c) the establishment and implementation of procedures for the written approval, by a senior officer of the Licensee, that such information as is referred to in paragraph 2.13.5(b) is compliant with the relevant objectives set out in paragraph 2.13.4.

#### 2.13.6 Revision of and Compliance with the Code

This Condition is subject to Condition 2.16: Preparation, Revision Of and Compliance with Codes of Practice.

## **Condition 2.14: Complaints Handling Procedure [Low pressure]**

### 2.14.1 Application

This Condition shall apply where the licensee conveys, or is authorised to convey, gas through distribution pipe-lines.

### 2.14.2 Requirement to Prepare etc. a Code

The Licensee shall, no later than three months after this Condition takes effect or such later date as the Authority directs, prepare, submit to and have approved by the Authority a code of practice for the handling of consumer complaints (the **Code**).

### 2.14.3 The Code

The Code shall include arrangements by which the Licensee will establish and operate an accessible, equitable and transparent, simple and inexpensive complaints procedure which shall enable any person who is connected to or requests a connection to the Licensee's Network to bring and have promptly dealt with any complaint he may have in respect of the Licensee's activities in providing such a connection.

### 2.14.4 Minimum Requirements

The complaints procedure established and operated by the Licensee in accordance with the Code shall as a minimum:

- (a) specify the period, which may differ for different types of complaint but which shall not be longer than three months, within which it is intended that complaints will be processed and resolved;
- (b) be made available to any person without charge; and
- (c) facilitate the fair and prompt settlement of complaints and disputes.

### 2.14.5 Revision of and Compliance with the Code

This Condition is subject to Condition 2.16: Preparation, Revision Of and Compliance with Codes of Practice.

## **Condition 2.15: Consumer Information Code [Low pressure]**

### 2.15.1 Application

This Condition shall apply where the licensee conveys, or is authorised to convey, gas through distribution pipe-lines.

### 2.15.2 Requirement to Prepare etc. a Code

The Licensee shall, no later than three months after this Condition takes effect or such later date as the Authority directs prepare, submit to, and have approved by the Authority a code of practice to be known as the Consumer Information Code.

### 2.15.3 The Code

The Consumer Information Code shall:

- (a) be designed to facilitate achievement of the relevant objectives set out in paragraph 2.15.4; and
- (b) make provision relating to the relevant matters set out in paragraph 2.15.5.

### 2.15.4 The Relevant Objectives

The relevant objectives are that:

- (a) consumers are on a regular basis provided with and have regular access to information about:
  - (i) the Licensee's business and the services that consumers can receive or expect to receive from the Licensee; and
  - (ii) the Licensee's performance, including performance against any applicable mandatory or voluntary standards, in relation to the provision of such services; and
- (b) any information provided by the Licensee (whether in writing, by electronic display or orally) to consumers about the Licensee's business, including in particular about connections between consumers' premises and the Licensee's Network is complete, accurate, transparent and capable of being easily understood by consumers.



#### 2.15.5 The Relevant Matters

The relevant matters are the provision of information to consumers in relation to:

- (a) the processes and procedures which consumers need to follow in order to obtain a connection between their premises and the Licensee's network;
- (b) the standard terms and conditions governing such connections;
- (c) the handling of consumer complaints; and
- (d) the provision of contact details or other special services in the event of an emergency.

#### 2.15.6 Standard Form

The Licensee shall in conjunction and co-operation with every other distribution system operator ensure that the Consumer Information Code includes such content and is presented in such a format as is consistent with and comparable to the consumer information code of each such other distribution system operator.

#### 2.15.7 Revision of and Compliance with the Code

This Condition is subject to Condition 2.16: Preparation, Revision Of and Compliance with Codes of Practice.

**Condition 2.16: Preparation, Revision Of and Compliance with Codes of Practice [Low pressure]**

2.16.1 Application

This Condition applies to any Code of Practice (**Code**) which the Licensee is, pursuant to Conditions 2.13, 2.14 and 2.15 of this Licence, required to prepare, submit to and have approved by the Authority.

2.16.2 Requirement for Approval

The Licensee shall, before submitting any Code to the Authority for its approval, consult the General Consumer Council and shall consider any representations made by it about the Code or the manner in which it is likely to be operated.

2.16.3 Review of Code

The Licensee shall:

- (a) whenever requested to do so by the Authority; and
- (b) where the request relates to the Distribution Marketing Code, in conjunction with all other distribution system operators,

review the relevant Code to which the request relates and the manner in which it has been operated, with a view to determining whether any modification should be made to that Code or to the manner of its operation.

2.16.4 Consultation

In carrying out any review under paragraph 2.16.3 the Licensee shall consult the General Consumer Council and shall consider any representations made by it about the Code or the manner in which it is likely to be or has been operated.

2.16.5 Authority Powers

The Authority, following consultation with the Licensee, the General Consumer Council, any other person who in the opinion of the Authority is likely to be interested or affected, may

- (a) direct the Licensee to make such modifications to any Code as the Authority considers are necessary or expedient to meet the relevant objectives of that Code;
- (b) from time to time make such modifications to Conditions 2.13, 2.14 and 2.15, as the Authority considers are necessary or expedient.

#### 2.16.6 Action following modification of Conditions

Where the Authority modifies a Condition in accordance with paragraph 2.16.5(b):

- (a) it shall:
  - (i) send a copy of the modification to the Licensee and the Department;
  - (ii) publish a copy of the modification in such manner as it considers appropriate for the purpose of bringing it to the attention of persons likely to be affected by the making of the modification; and
- (b) the Licensee shall revise the Code to which the modification relates in such manner and to such extent as is required to ensure that the Code reflects and complies with the modified Condition.

#### 2.16.7 Code Revisions

Where the Licensee revises a Code:

- (a) in accordance with paragraph 2.16.6(b) above;
- (b) following a review undertaken in accordance with paragraphs 2.16.3 and 2.16.4; or
- (c) following a direction from the Authority under paragraph 2.16.5(a),

it shall submit the revised Code to, and have it approved by, the Authority.

#### 2.16.8 Publication of Code

The Licensee shall as:

- (a) soon as practicable following the Authority's approval of a Code (including following a revision):
  - (i) send a copy of the Code to the Authority and the General Consumer Council; and
  - (ii) draw the attention of its consumers to the Code and of how they may inspect or obtain a copy of it;
- (b) publish on and make readily accessible from its website a copy of the Code;
- (c) give or send free of charge a copy of the Code (as from time to time revised) to any person who requests it; and
- (d) make available to members of the public, in such form and in such manner as the Authority considers appropriate, information published by the Authority pursuant to Article 7 of the Energy Order.

#### 2.16.9 Compliance

Subject to paragraph 2.16.11, the Licensee shall comply with each Code to which this Condition applies and which has been approved by the Authority.

#### 2.16.10 Monitoring Implementation and Operation

The Licensee shall provide the Authority with all assistance reasonably necessary to enable the Authority to monitor the implementation and operation of any Code and this assistance shall include providing statistical data at such times and in such a format as the Authority reasonably requires and permitting the Authority access to relevant documentation held by the Licensee.

#### 2.16.11 Directions relieving Licensee of Obligations

The Authority may (following consultation with the Licensee, and in the case of the Distribution Marketing Code, other distribution system operators) issue directions relieving the Licensee of any of its obligations under Conditions 2.13, 2.14 and 2.15 and this Condition to such extent as may be specified in those directions and subject to such terms and conditions as the Authority thinks fit.

## **Condition 2.17: Terms and Conditions of Gas Contracts with Domestic Consumers [Low pressure]**

### **2.17.1 Application**

This Condition shall apply where the Licensee conveys, or is authorised to convey, gas through distribution pipe-lines.

### **2.17.2 Gas Contracts**

The Licensee shall ensure that any contract it enters or offers to enter into with a domestic consumer for the provision of any gas service (a **Gas Contract**) contains provisions which are in clear and comprehensible language and which incorporate all relevant information so as to enable the consumer to understand the terms and conditions under which the services are, or are to be, provided.

### **2.17.3 Provision of Information to Customers**

Before entering into or concluding a Gas Contract with any domestic consumer, the Licensee shall give the domestic consumer:

- (a) a written copy of the full terms and conditions of the Gas Contract, including without limitation all the information referred to in paragraph 2.17.4; and
- (b) details of how the domestic consumer can contact, and the relevant address and telephone number of, the General Consumer Council for further help and advice, including in particular with regard to their rights in relation to the supply of gas.

### **2.17.4 Terms and Conditions of Gas Contracts - Minimum Requirements**

The Licensee shall ensure that every Gas Contract (as between the Licensee and each domestic consumer) shall, as a minimum, include the following:

- (a) the identity and address of the Licensee and any other appropriate contact details;
- (b) the services to be provided, the service quality levels offered by the Licensee and, where the Gas Contract relates to the provision of a connection between the domestic consumer's premises and the Licensee's Network, the time within which the connection will be made;

- (c) the duration of the Gas Contract, the terms and conditions for renewal and for termination of the Contract (which terms and conditions shall be compliant with the requirements of this Condition), and the existence of any right of cancellation or termination of the Gas Contract;
- (d) (if offered by the Licensee) the types of maintenance service offered under the Gas Contract;
- (e) a right for the domestic consumer to terminate the Gas Contract where the Licensee proposes a variation to that Gas Contract and the domestic consumer does not wish to accept the proposed variation, together with an explanation of the exercise of any such right by the domestic consumer on the services that are being provided by the Licensee under the Gas Contract;
- (f) the charges and/or other payments to be paid by the domestic consumer in a manner that enables the domestic consumer to identify all such charges and payments due under the Gas Contract and the dates or times at which such charges or payments are to be paid;
- (g) the compensation and the refund arrangements (if any) which will apply if contracted service quality levels, including in relation to inaccurate and delayed billing, are not met; and
- (h) details of how the domestic consumer may initiate the Licensee's complaint handling procedure (as established in accordance with the Condition relating to Complaints Handling Procedure) .

#### 2.17.5 Choice of Payment Methods

The Licensee shall ensure that any Gas Contract it enters or offers to enter into provides the domestic consumer with a choice of payment methods.

#### 2.17.6 Cost Reflectivity in Payment Methods

Any difference in or between any of the Licensee's Gas Contracts arising from the choice of payment method shall be determined by the Licensee on a basis which reflects the costs to the Licensee of providing that different payment method.

### 2.17.7 Variation of Gas Contract

Where the Licensee proposes to vary any of the terms and conditions, including term as to price, of a Gas Contract it has with a domestic consumer, it shall, by way of sending a notice that sets out the information in clear, transparent and easy to read and understand language, notify each such domestic consumer of the proposed variation, together with the consumer's right (as included in the Gas Contract in accordance with paragraph 2.17.4(e)) to terminate the Gas Contract before the proposed variation is due to take effect, at least 21 days in advance of the date the variation is due to take effect.

## **Condition 2.18: Standards of Performance [Low pressure]**

### 2.18.1 Application

This Condition shall apply where the Licensee conveys, or is authorised to convey, gas through distribution pipe-lines.

### 2.18.2 Licensee to take steps for the achievement of performance standards

The Licensee shall establish, unless it has done so before the coming into effect of the licence, and shall diligently take all reasonable steps for the achievement of standards of performance ("the established standards") relating to:

- (a) the connection of the premises of domestic consumers to be supplied with gas to the Network and the maintenance of such connections;
- (b) the arrangements made under Condition 2.8.4;
- (c) the prevention of escapes of gas in or into the premises of domestic consumers.

### 2.18.3 Visits to premises, etc

The established standards shall, in particular:

- (a) govern the making of visits to premises and the response to complaints and enquiries made in person, by telephone, in writing or otherwise in respect of the matters specified in Condition 2.18.2; and
- (b) take into account the interests of those who are chronically sick, disabled or of pensionable age.

### 2.18.4 Report to Authority and General Consumer Council

As soon as is reasonably practicable after the end of each year ending on 31 December, the Licensee shall submit to the Authority and General Consumer Council a report dealing with the matters mentioned in Conditions 2.18.2 and 2.18.3 which shall include a comparison of the Licensee's performance against the established standards in relation to that year and shall:



- (a) make public the report so submitted in such manner as will in the reasonable opinion of the Licensee secure adequate publicity for it; and
- (b) send a copy of it free of charge to any person requesting one,

except that, in performing the obligations under Conditions 2.18.4(a) and (b), the Licensee shall ensure that individual consumers cannot readily be identified except where they have consented.

## **Condition 2.19: Capacity Booking [Low pressure]**

### **2.19.1 Application**

This Condition shall apply where the Licensee conveys, or is authorised to convey, gas through distribution pipe-lines.

### **2.19.2 Licensee to maintain conveyance arrangements**

Unless the Authority otherwise directs, the Licensee shall, in respect of each Gas Year, hold rights, in respect of use by the Licensee of capacity in the pipe-line system of Other Network Operators, where such rights are available to the Licensee pursuant to and in accordance with the arrangements made by the Network Operators for such purposes, that are at least equal to the Forecast Network Capacity Requirement.

### **2.19.3 Forecast Network Capacity Requirement Definition**

Forecast Network Capacity Requirement means the amount of capacity required to ensure that sufficient gas can be conveyed to meet daily firm demand from Network Consumers, which having regard to historical weather and other data derived from at least the previous 50 years and to representations made by gas suppliers in accordance with the procedures set out at Condition 2.19.4, is likely to be exceeded only in 1 year out of 20 years.

### **2.19.4 Annual Consultation**

Unless the Authority otherwise directs:

- (a) no later than 21<sup>st</sup> February each year, the Licensee shall:
  - (i) publish a draft statement of its best estimate of Forecast Network Capacity Requirement in the following Gas Year which, having regard to historical weather and other data from at least the previous 50 years, is likely to be exceeded only in 1 year out of 20 years in such form and manner as the Authority may direct; and
  - (ii) send a copy of the statement to any person who asks for one on payment of a charge in respect of the cost incurred by the Licensee in complying with this

requirement which does not exceed such amount as the Authority may from time to time direct; and

- (b) no later than 21<sup>st</sup> March each year, the Licensee shall publish a final statement of the matters referred to in Condition 2.19.4(a)(i) above, having regard, in addition to the considerations referred to in that Condition, to any representations received by it within 21 days of the publication of the draft statement.

#### 2.19.5 Additional Definitions

In this Condition:

- “daily firm demand” means the peak aggregate daily demand for gas by Network Consumers from time to time which might reasonably be expected after the supply of gas to each such consumer had been interrupted or reduced to the extent that is permitted under any contract between that consumer and its gas supplier;
- “day” means a period beginning at 6am on one day and ending immediately before 6am on the following day and “daily” shall be construed accordingly;
- “Gas Year” means the period of time beginning at 06:00 hours on 01 October in any calendar year and ending at 06:00 hours on 01 October in the next succeeding calendar year;
- “Network Consumers” means all those persons located within the Licensed Area who are supplied with gas from the Network; and
- “Other Network Operators” means a person licensed to convey gas under Article 8(1)(a) of the Order or exempted from the requirement to be licensed to convey gas under Article 7(1) of the Order, other than the Licensee.

## **Condition 2.20: Provision and Return of Meters [High pressure]**

### **2.20.1 Application**

This Condition shall apply to the Licensee where it conveys, or is authorised to convey, gas through transmission pipe-lines.

### **2.20.2 Installation of Gas Suppliers' Meter**

The Licensee shall comply with any reasonable request by any gas supplier wishing to supply gas to premises directly connected to the Network to provide and install at those premises a gas meter belonging to the Licensee of an appropriate type, specified by the gas supplier, if a meter of that type is readily available to the Licensee and the gas supplier agrees to pay the Licensee's charges in respect of that meter, such charges to have been determined using such principles and methodology as shall have been agreed with the Authority.

### **2.20.3 Request from Gas Supplier**

The Licensee shall comply with any reasonable request by any gas supplier wishing to supply gas to premises to install at those premises a gas meter of an appropriate type belonging to the gas supplier (or the owner or occupier of the premises) if the gas supplier agrees to pay the Licensee's charges in respect of the installation of the meter and any subsequent disconnection.

### **2.20.4 Prohibition on undue discrimination**

The Licensee shall not show any undue preference towards or undue discrimination against any gas supplier seeking the provision and/or installation of a gas meter under this Condition 2.20.

### **2.20.5 Disconnection of Meters**

Subject to Condition 2.20.6, where any gas meter owned by the Licensee is disconnected by or returned to the Licensee, it shall promptly make an appropriate record of the details displayed on the register of the meter at the time of disconnection or return and of such other information in its possession as shall subsequently enable the identity and time of disconnection or return of the meter and the premises from which it was disconnected to be

ascertained and shall keep such a record for a period of not less than two years from the date of the later of such disconnection or return whichever is the later.

#### 2.20.6 Safe Custody of Meters

Where the Licensee has reasonable cause to believe that any gas meter owned by it and disconnected by or returned to it is the subject of:

- (a) any investigation in relation to proceedings or possible proceedings relating to the alleged theft of gas by any person; or
- (b) a dispute as to the accuracy of the meter;

the Licensee shall use all reasonable endeavours to keep the meter in safe custody in the condition in which it was disconnected or returned and with the register unaltered:

- (c) during the period of six months beginning with the date on which the meter was disconnected or returned, for so long as the Licensee continues to have reasonable cause to believe that the meter is or may be so relevant; and
- (d) thereafter for as long as, to the Licensee's knowledge, the meter is so relevant.

#### 2.20.7 Provision of Information

Where the Licensee is notified, pursuant to any regulations made under Article 22 of the Order, of the connection or disconnection of any meter at any premises it shall promptly give to the gas suppliers in respect of those premises the information so notified and furnish any further information as such gas suppliers may reasonably request relating to the meter and which the Licensee either has or may readily obtain.

## **Condition 2.21: Cross Border Capacity [High pressure]**

### 2.21.1 Application - Interconnected Networks

This Condition shall apply where:

- (a) the Licensee conveys, or is authorised to convey, gas through transmission pipe-lines; and
- (b) any part of the Licensee's Network is connected to a transmission pipe-line that is not wholly or mainly located in the United Kingdom (the **Other Network**).

### 2.21.2 Integration and Capacity Demand

Where this Condition applies, the Licensee shall, in developing, operating and maintaining the Licensee's Network, ensure that it has sufficient capacity to:

- (a) optimise integration between the Licensee's Network and the Other Network; and
- (b) accommodate all economically reasonable and technically feasible demands for cross-border capacity,

taking into account (in each case) security of gas supply.

## **Condition 2.22: Regional Co-operation [High pressure]**

### 2.22.1 Application

This Condition shall apply where:

- (a) the Licensee conveys, or is authorised to convey, gas through transmission pipe-lines;
- (b) any affiliate or related undertaking of the Licensee is carrying on the activities of an Associated Business; and
- (c) the Licensee has, in conjunction with any Other Transmission System Operator, established an undertaking (the Joint Undertaking) for the purposes of engaging in Regional Cooperation.

### 2.22.2 Compliance Programme

Where this Condition applies the Licensee shall:

- (a) use its reasonable endeavours to ensure that the Joint Undertaking prepares and submits to the Agency for its approval a compliance programme; and
- (b) appoint a senior officer to act as compliance officer for the purpose of monitoring the Joint Undertaking's compliance with the compliance programme.

### 2.22.3 Non-Discrimination

The compliance programme shall set out the measures the Joint Undertaking intends to take to ensure that it does not, in carrying on its activities :

- (a) unduly discriminate as between any persons or class or classes of persons; or
- (b) restrict, prevent or distort competition in the conveyance, storage, or supply of gas.

### 2.22.4 Definitions

In this Condition:

“Agency”	means the Agency for the Cooperation of Energy Regulators as established under Regulation (EC) 713/2009 of the European Parliament and of the Council.
“Associated Business”	means any business of any affiliate or related undertaking of the Licensee which is carrying out activities consisting of the production, conveyance, storage or supply of gas in any member state of the European Union;
“Other Transmission System Operator”	means any person responsible for operating, maintaining and/or developing a gas transmission system in another member state of the European Union; and
“Regional Cooperation”	means the cooperation of transmission system operators at a regional level, in respect of such geographical areas as are defined in accordance with Article 12(3) of Regulation (EC) No. 713/2009 or as otherwise agreed between relevant transmission system operators, in respect of cross-border issues for the purpose of creating a competitive internal market, fostering consistency and facilitating integration.



## **Condition 2.23: Competition and Effective Functioning of the Market [High pressure]**

### 2.23.1 Application

This Condition shall apply where the Licensee conveys or is authorised to convey gas through transmission pipe-lines.

### 2.23.2 Publication of Information

The Licensee shall, in so far as it is consistent with its compliance with, and the efficient discharge of, its obligations under the Licence, publish such information as is held, available or known to it that will facilitate:

- (a) effective competition between persons engaged in Northern Ireland in, or in commercial activities connected with, the conveyance, storage, and supply of gas; and
- (b) the effective functioning of the gas industry in Northern Ireland.

### 2.23.3 Duty not to restrict, distort or prevent competition

In carrying on the Licensed Business and in complying with its obligations under the Order, the Energy Order, the Gas Regulation and the Licence, the Licensee shall not restrict, distort or prevent competition in the conveyance, storage, and supply of gas.

### 2.23.4 Definitions

In this Condition:

Gas Regulation means Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks.

## **Condition 2.24: Transmission System Operator [High pressure]**

### 2.24.1 Application

This Condition shall apply where the Licensee conveys or is authorised to convey gas through transmission pipe-lines.

### 2.24.2 Transmission system owner and operator

The Licensee shall at all times, while it is the owner of the Network also act as the operator of the Network and shall be responsible for ensuring compliance with all the statutory and regulatory obligations which apply to the conveyance of gas through, and the operation, maintenance and development of, the Network.

### 2.24.3 Sub-Contracting - General

Subject to paragraph 2.24.4, the requirement in paragraph 2.24.2 shall not prevent the Licensee from making contractual arrangements under which a third party carries out any of the activities of conveying gas through any part of the Network or has contractual responsibility for operating, maintaining, and developing any part of the Network in accordance with the instructions of the Licensee.

### 2.24.4 Sub-Contracting – Terms and Conditions

Where the Licensee makes contractual arrangements under which a third party carries out any of the activities of conveying gas through any part of the Network or has contractual responsibility for operating, maintaining and developing any part of the Network in accordance with the instructions of the Licensee, the Licensee shall ensure that the contractual arrangements contain such terms and conditions which ensure:

- (a) that any information relating to the Licensee or the Licensed Business which is provided by the Licensee to, or otherwise obtained by, the third party is:
  - (i) kept confidential and secure such that it is not disclosed to any other person; and
  - (ii) not used by that third party for any purpose other than for the purpose of fulfilling the contractual arrangements; and

- (b) that the third party does not:
  - (i) prevent (whether by act or omission) the Licensee from complying with the Directive or its certification as a transmission system operator; or
  - (ii) cause (whether by act or omission) the Licensee to contravene the Directive or its certification as a transmission system operator.

#### 2.24.5 Certification

The Licensee shall, where it is, in accordance with Article 3 of the Gas Regulation, certified by the Authority as a transmission system operator:

- (a) use all reasonable endeavours to ensure that the certification ground on which the Licensee is certified continues to apply;
- (b) as soon as practicable after it becomes aware of it, give notice (in writing) to the Authority of:
  - (i) any proposed or actual change in control of the Licensee;
  - (ii) any event, change in circumstance, or transaction undertaken (or proposed to be undertaken) by the Licensee or any affiliate or related undertaking of the Licensee, which:
    - (A) affects, or is likely to affect, the Licensee being certified as a transmission system operator on the certification ground on which it is certified; or
    - (B) requires, or is likely to require, a reassessment by the Authority of whether the certification ground on which it is certified continues to apply in respect of the Licensee.

#### 2.24.6 Meaning of Control

For the purposes of Condition 2.24.5(b)(i) there is a change in the control of the Licensee whenever a person obtains control of the Licensee who did not have control of the Licensee at the date that the Authority last certified, in accordance with Article 3 of the Gas Regulation, the Licensee as a transmission system operator; and sub-sections (2), (3) and

(4) of Section 450 of the Corporation Tax Act 2010 shall apply for the purpose of determining whether for the purposes of this paragraph a person has or had control of the Licensee, but at any time should no person have control then for the words "the greater part" wherever they occur in said section 450 there shall be substituted the words "one-third or more".

#### 2.24.7 Definitions

In this Condition "certification ground" has the meaning given to it in Article 8L of the Order.

**PART 2A STANDARD CONDITIONS APPLICABLE TO THE CONVEYANCE OF GAS  
BY DESIGNATED PIPE-LINE OPERATORS**

**Condition 2A.1 – Interpretation and Construction**

**2A.1.1 Definitions**

In Part 2A of this Licence, except where expressly stated to the contrary and unless the context otherwise requires, the following terms shall have the meanings ascribed to them below:

- “Actual Figures” means the Annual Exit Quantity and the Actual Firm Capacity figures to be provided by the Licensee to the Authority under Condition 2A.2.3.2(a);
- “Actual Firm Capacity” means the aggregate of GS Firm Capacity which has been held by Gas Suppliers in respect of a Gas Year and in respect of Exit Points on the Designated Network;
- “Actual Required Revenue” as the context requires, shall have the meaning ascribed to that term in the Special Conditions of this Licence or the meaning ascribed to it in the relevant licence of each Designated Pipe-line Operator;
- “Annual Exit Quantity” means the aggregate of all Gas Suppliers’ Exit Quantities in respect of a relevant Gas Year and in respect of Exit Points on the Designated Network;
- ”Auxiliary Payment” means any sum (whether or not contingent) in addition to aggregate Monthly Postalised Payments which a PS Gas Supplier is committed to pay on an annual basis in respect of Minimum Quantity Value;
- “Business Day” means a day, other than a Saturday or Sunday, on which banks are open for ordinary banking business in Belfast;
- “Capacity Percentage” shall have the meaning ascribed to that term in Condition 2A.2.5.2(a);
- “Capacity Reconciliation means a charge or a payment, as the context requires, made by the

Payment”	Licensee to each of its Gas Suppliers in respect of the difference between the Forecast Postalised Capacity Charge and the Year-End Postalised Capacity Charge applied to a Gas Year;
“Commodity Percentage”	shall have the meaning ascribed to that term in Condition 2A.2.5.1(a);
“Commodity Reconciliation Payment”	means a charge or a payment as the context requires, made by the Licensee to each of its Gas Suppliers in respect of the difference between the Forecast Postalised Commodity Charge and the Year-End Postalised Commodity Charge applied to a Gas Year;
“Credit Committee”	means the committee which is convened and operates in accordance with the Terms of Reference;
“Daily Capacity”	means capacity (in kWh / day) which has been allocated for a duration of one Day on a firm basis in accordance with the provisions of the Network Code and / or the Network Code of any other Designated Pipe-line Operator (and, for the avoidance of doubt, shall not include any capacity which is allocated for a duration of other than one Day);
“Debt Entitlement”	shall have the meaning ascribed to that term in Condition 2A.6.1.2(b);
“Debt Notice”	means a notice issued by the PSA as contemplated by Condition 2A.4.3.1(f);
“Debt Notice Date”	means the date on which the PSA shall issue the Debt Notice each month as contemplated by Condition 2A.4.3.1(f), being the eighth Business Day in the relevant month;
“Debt Payment”	means a charge payable by a PS Gas Supplier in respect of PS Notified Debt as contemplated by Condition 2A.3.4 and as detailed in the applicable Debt Notice;
“Debt Repayment”	means a repayment payable to a PS Gas Supplier in respect of a

	Recovery as contemplated by Condition 2A.3.4.3(ii) and as detailed in the applicable Debt Notice;
“Designated Network”	means such part(s) of the Licensee’s network as is or are designated from time to time pursuant to the Designation Order;
“Designated Pipe-line Operator”	means a person licensed to convey gas under Article 8(1)(a) of the Order through the Postalised System, including the Licensee;
“Designated Pipe-line Operators Agreement”	shall have the meaning ascribed to that term in Condition 2A.6.2.1;
“Designation Date”	means the date specified in a Designation Order on which any part of the Licensee’s network shall be designated as postalised;
“Designation Order”	means an order made pursuant to Article 59 of the Energy (Northern Ireland) Order 2003 designating gas pipe-lines comprised within the Licensee’s network as being subject to a common tariff;
“Directions”	shall have the meaning ascribed to that term in Condition 2A.3.2;
“Distribution Business”	means, where applicable, a Separate Business of the Licensee which carries on the business of conveyance of gas through distribution pipe-lines and which, with the Authority’s consent, may hold Firm Capacity;
“Due Date”	means the date on which payment of an invoice in respect of any PS Transmission Payment falls due, being the tenth Business Day in the month next after the month in which the relevant invoice was issued and shall be stipulated in the Network Code;
“Exit”, “Exiting”	or forms thereof, refers to the offtaking of gas at an Exit Point;
“Exit Point”	means a point on the Designated Network at which gas is offtaken from the Designated Network by a Gas Supplier, which is not a Transit Point and which constitutes an Exit Point under the Network Code;

“Exit Quantity”	means the total quantity of gas, (measured in kWh) allocated to the Licensee’s relevant Gas Supplier in respect of an Exit Point within a certain period, or any applicable Minimum Quantity Value in respect of such period, if higher;
“Firm Capacity”	means, at any relevant time in respect of a Gas Supplier, capacity (in kWh/day) held at such time by such Gas Supplier on a firm basis in respect of an Exit Point in accordance with the provisions of the Network Code and in respect of a Gas Year (or any part thereof); except that if any Minimum Capacity Value in respect of such period and such Gas Supplier is greater than such held capacity then the Firm Capacity deemed to be held by such Gas Supplier shall be that Minimum Capacity Value but shall not include Daily Capacity;
“Forecast Annual Quantity”	shall have the meaning ascribed to that term in Condition 2A.2.3.1(a)(i);
“Forecast Figures”	shall mean such figures as are notified to the Authority under Condition 2A.2.3.1(a) as amended by any notice given by the Authority under Condition 2A.2.3.1(e), or such figures as are determined by the Authority under Condition 2A.2.3.1(g), as appropriate;
“Forecast Postalisation Formulae”	means the formulae set out in Condition 2A.2.5;
“Forecast Postalised Capacity Charge”	means a charge in respect of each kWh/day of Initial Firm Capacity held by the Licensee’s Gas Suppliers in respect of an Exit Point in a Gas Year which shall be calculated in accordance with Condition 2A.2.5.2;
“Forecast Postalised Charges”	means a Forecast Postalised Commodity Charge and a Forecast Postalised Capacity Charge;
“Forecast Postalised Commodity Charge”	means a charge in respect of each kWh of gas allocated to the Licensee’s Gas Suppliers for Exit from the Designated Network in a



Gas Year which shall be calculated in accordance with Condition 2A.2.5.1;

“Forecast Required Revenue”

as the context requires, shall have the meaning ascribed to that term in the Special Conditions of this Licence;

“Forecast Supplier Quantity”

means the quantity of gas which a Gas Supplier forecasts it will Exit from the Designated Network in a given period, provided that, if in relation to a Gas Supplier such quantity is less than any applicable Minimum Quantity Value, the Forecast Supplier Quantity in relation to such Gas Supplier shall be such Minimum Quantity Value;

“Gas Supplier”

means any person authorised by licence under Article 8 of the Order or by exemption under Article 7 of the Order to supply gas, (including the Licensee as so authorised or exempted) and who is entitled to Exit gas from the Designated Network or any person who is not so authorised, but with the Authority’s consent either: (i) holds Firm Capacity; or (ii) is entitled to Exit gas from the Designated Network as if it were a Gas Supplier, but shall not include the Licensee if and to the extent that it is providing balancing gas in respect of any part of the Postalised System;

“Gas Year”

means the period of time beginning at 06:00 hours on 01 October in any calendar year and ending at 06:00 hours on 01 October in the next succeeding calendar year;

“GS Annual Exit Quantity”

shall have the meaning ascribed to that term in Condition 2A.2.6.3(b);

“GS Firm Capacity”

means the Firm Capacity held by a Gas Supplier in respect of all Exit Points on the Designated Network in a Gas Year multiplied in each case by the aggregate number of months in respect of which such Firm Capacity is held in such Gas Year and divided by 12;

“Initial Firm Capacity”	means the total of all Firm Capacity held by the Licensee’s Gas Suppliers in respect of a Gas Year as at the last Business Day of June preceding such Gas Year except the Gas Year commencing 01 October 2004 where Initial Firm Capacity shall mean the total of all Firm Capacity (in kWh/day) in respect of a Gas Year, such figure to be determined by the Authority no later than 30 September 2004;
“Invoice Date”	means the tenth Business Day in a month;
“kWh”	means 3,600,000 joules as defined in ISO 1000-1981(E);
“LIBOR”	means the sterling London Interbank Offered Rate as published in the Financial Times from time to time;
“MDQ”	means the maximum quantity of gas which may be offtaken from an Exit Point by a Gas Supplier in any day in respect of the Firm Capacity held by that Gas Supplier under the Network Code;
“Minimum Capacity Value”	means any minimum quantum of capacity (in kWh/day) in respect of which a PS Gas Supplier is obliged under contract to the Licensee or to any other Designated Pipe-line Operator to pay transmission charges in respect of a Gas Year;
“Minimum Quantity Value”	means any minimum quantity of gas (in kWh) in respect of which a PS Gas Supplier is obliged under contract to the Licensee or to any other Designated Pipe-line Operator to pay transmission charges in respect of a Gas Year or part thereof;
“Monthly Debt Payment Entitlement”	means the entitlement of a Designated Pipe-line Operator in respect of the Net Debt Position in a month, calculated in accordance with Condition 2A.6.1.2(b);
“Monthly Distribution”	has the meaning ascribed in Condition 2A.6.1.4,
“Monthly Entitlements”	means Monthly Postalised Entitlements and Monthly Debt Payment Entitlements;

“Monthly Postalised Capacity Payment”	means an amount to be invoiced monthly by the Licensee to each of its Gas Suppliers in accordance with Condition 2A.2.5.2(b);
“Monthly Postalised Commodity Payment”	means an amount to be invoiced monthly by the Licensee to each of its Gas Suppliers in accordance with Condition 2A.2.5.1(b);
“Monthly Postalised Entitlement”	means the entitlement of a Designated Pipe-line Operator in respect of Monthly Postalised Payments and any Auxillary Payment payable into the PoT Account in a month, calculated in accordance with Condition 2A.6.1.2(a)(i);
“Monthly Postalised Payments”	means Monthly Postalised Commodity Payments and Monthly Postalised Capacity Payments;
“Net Debt Position”	means a balance calculated in respect of a month with reference to PS Notified Debt and Recoveries in accordance with Condition 2A.3.4.3 and in respect of which a Debt Payment or Debt Repayment may be made;
“Non Payment Month”	means a month in which a relevant PS Non-Payment occurred;
“Postalised Charges”	means the Forecast Postalised Charges and/or the Year-End Postalised Charges as the case may be;
“Postalised System” or “PS”	means the system comprising all gas pipe-lines designated as being subject to a common tariff pursuant to all orders made pursuant to Article 59 of the Energy (Northern Ireland) Order 2003 in force at such time;
“PoT Account”	shall have the meaning ascribed to that term in Condition 2A.5.3.1(a);
“Primary DPO”	means the Designated Pipe-line Operator holding a licence to convey gas in respect of a part of the Postalised System on which the PS Gas Supplier is entitled to exit gas;
“PSA”	shall have the meaning ascribed to that term in Condition 2A.4.1.1;

“PS Actual Required Revenue (PSARR)”	means, in respect of a Gas Year, the sum of all Actual Required Revenues in respect of such Gas Year;
“PSA Agreement”	shall have the meaning ascribed to that term in Condition 2A.4.1.1;
“PSA Functions”	shall have the meaning ascribed to that term in Condition 2A.4.3.1;
“PS Actual Firm Capacity”	shall have the meaning ascribed to that term in Condition 2A.2.6.2;
“PS Annual Exit Quantity”	shall have the meaning ascribed to that term in Condition 2A.2.6.1;
“PS Forecast Annual Quantity”	shall have the meaning ascribed to that term in Condition 2A.2.5.1;
“PS Forecast Required Revenue (PSFRR)”	means in respect of a Gas Year the sum of all Forecast Required Revenues as such term is defined in each Respective Licence in respect of all Designated Pipe-line Operators in respect of such Gas Year;
“PS Gas Supplier”	means any person who is entitled to exit gas from the Postalised System;
“PS Initial Firm Capacity”	shall have the meaning ascribed to that term in Condition 2A.2.5.2;

“PS Non-Payment”	<p>means:</p> <p>(i) the failure of a PS Gas Supplier to pay into the PoT Account all or part of the PS Transmission Payments due from it by the Due Date, or the clawback by an administrator or liquidator of the amount of any payment (or part of such payment) made into the PoT Account by a PS Gas Supplier in respect of a PS Transmission Payment; or</p> <p>(ii) the amount of PS Transmission Payments which the relevant PS Gas Supplier has failed to pay or the amount which is subject to clawback by an administrator or liquidator</p> <p>as the context requires but shall not apply to any sums due under the Network Code upon termination of a PS Gas Supplier’s Accession Agreement in respect of periods after the date of termination;</p>
“PS Notified Debt”	<p>means, at any time, the aggregate of PS Non-Payments, excluding any VAT element, which are at that time or were prior to that time the subject of a notification by a Designated Pipe-line Operator to the PSA as contemplated in Condition 2A.3.4.1 of such Designated Pipe-line Operator’s licence;</p>
“PS Transmission Payments”	<p>means any amount payable by a PS Gas Supplier in respect of the provision of gas conveyance services on the Postalised System under Conditions 2A.2.2.1 (Monthly Postalised Payments); 2A.2.2.2 (Debt Payments); and 2A.2.2.3 (Reconciliation Payments); 2A.2.5.1(c) (Auxiliary Payments) and 2A.2.6.4 (Supplemental Payments) under each Designated Pipe-Line Operator’s Respective Licence;</p>
“Quantity Figures”	<p>shall have the meaning ascribed to that term in Condition 2A.2.3.1(b);</p>

“Quarter”	means each successive three calendar month period in a Gas Year, the first of which shall run from and including 06:00 hours 01 October until 06:00 hours 01 January in that Gas Year; and “Quarterly” shall be construed accordingly;
“Quarterly Exit Quantity”	means the aggregate of Exit Quantities in a Quarter;
“Reconciliation Payment”	means the Capacity Reconciliation Payment and the Commodity Reconciliation Payment;
“Reconciliation Payment Formulae”	means the formulae contained in Condition 2A.2.6.3 in accordance with which Reconciliation Payments shall be calculated;
“Recovery”	means any amount (other than a Debt Payment) paid by or on behalf of a PS Gas Supplier either directly into the PoT Account or to a Designated Pipe-line Operator and subsequently paid by that Designated Pipe-line Operator into the PoT account, in full or partial satisfaction of any PS Notified Debt attributable to that PS Gas Supplier;
“Relevant Charge Date”	shall have the meaning ascribed to that term in Condition 2A.2.5.4;
“Respective Licence”	means in respect of each of the Designated Pipe-line Operators the licence for the conveyance of gas granted to it pursuant to Article 8(1) of the Order or that part of a combined licence relating to the conveyance of gas;
“Second Due Date”	means, in respect of a PS Non-Payment which occurred in a Non-Payment Month, the fifteenth Business Day after the respective Due Date as stipulated in the Network Code;

“Separate Business”	<p>means each of the following businesses of the Licensee (as appropriate):</p> <p>(i) the conveyance of gas through a transmission pipe-line pursuant to a licence granted in accordance with Article 8(1)(a) of the Order;</p> <p>(ii) the distribution of gas through distribution pipe-lines pursuant to a licence granted in accordance with Article 8(1)(a) of the Order; and</p> <p>(iii) the supply of gas pursuant to a licence granted in accordance with Article 8(1)(c) of the Order</p> <p>each taken separately from one another and from any other business of the Licensee or any affiliate or related undertaking of the Licensee;</p>
“Supplemental Payment”	<p>means any sum (whether or not contingent) in addition to aggregate Monthly Postalised Payments which a PS Gas Supplier is committed to pay on an annual basis in respect of transmission through the Postalised System and which is calculated otherwise than on the basis of a minimum quantity of gas or minimum quantum of capacity;</p>
“Supply Business”	<p>means, where applicable, the Separate Business of the Licensee which carries on the business of the supply of gas;</p>
“Termination Payments”	<p>means any amount payable on the termination of a Gas Supplier’s Accession Agreement under the terms of the Network Code;</p>
“Terms of Reference”	<p>means the terms of that name appended to the Network Code which govern the operation of the Credit Committee;</p>
“Total Monthly Payments”	<p>shall have the meaning ascribed to that term in Condition 2A.3.4.3;</p>

“Transit”, “Transiting”	or forms thereof, refers to the conveyance of gas through the Designated Network to another part of the Postalised System;
“Transit Point”	means a point of interconnection between the Designated Network and another pipe-line forming part of the Postalised System;
“Trust and Account Bank Agreement”	means the agreement in the form approved by the Authority and made between the Designated Pipe-line Operators, the Trustee and account bank which governs the operation of the PoT Account;
“Trustee”	shall have the meaning ascribed to that term in Condition 2A.5.1.1;
“Trustee Functions”	shall have the meaning ascribed to that term in Condition 2A.5.3.1;
“Undesignated Network”	means such part(s) of the network as is or are not from time to time comprised in the Designated Network;
“Unrecovered Postalisation Payments”	shall have the meaning ascribed to that term in Condition 2A.4.3.1(I);
“VAT Distributions”	means distributions made by the Trustee on the instructions of the PSA from the PoT Account as calculated in accordance with condition 2A.4.3.1 (d);
“Year-End Amount”	shall have the meaning ascribed to that term in Condition 2A.6.1.3;
“Year-End Postalisation Formulae”	means the formulae set out in Condition 2A.2.6;
“Year-End Postalised Capacity Charge”	means a charge applicable to each kWh/day of Firm Capacity held by each Gas Supplier for Exit from any part of the Designated Network in respect of a Gas Year in accordance with Condition 2A.2.6.2;
“Year-End Postalised Charge”	means the Year-End Postalised Capacity Charge and the Year-End Postalised Commodity Charge; and



“Year-End Postalised Commodity Charge” means a charge applicable to each kWh of gas allocated to each Gas Supplier in respect of an Exit Point during a Gas Year in accordance with Condition 2A.2.6.1.

### **2A.1.2 Interpretation**

In Part 2A all capitalised terms shall have the meaning ascribed to them in such part, notwithstanding any other definition of any such term elsewhere in the Licence. Capitalised terms within Part 2A which are not defined within such part shall have the meaning ascribed to them elsewhere in the Licence.

### **2A.1.3 Provision of Information**

Nothing in Part 2A shall require the Licensee to produce any information or provide any document to any other party which the Licensee could not be compelled to produce or provide in any civil proceedings.

### **2A.1.4 Units of Measurement**

For the avoidance of doubt:

- (a) the Licensee shall be entitled to invoice for any Postalised Charges in the unit of Mwh or Mwh/day, subject to the Authority’s consent; and
- (b) where any measurement is to be expressed in Kwh or Kwh/day the Licensee may satisfy such obligations by using the Kwh or Kwh/day equivalent of a measurement expressed in Mwh or Mwh/day as the case may be.

## **Condition 2A.2 – Postalisation Charges**

### **2A.2.1 Charges on the Designated Network**

2A.2.1.1 In respect of the Gas Year commencing on or after the Designation Date and each Gas Year or part of a Gas Year thereafter for so long as and to the extent that a Designation Order is and remains in force in respect of all or part of the network, the Licensee shall be subject to the provisions of this Part 2A.

2A.2.1.2 The Licensee shall require all of its Gas Suppliers to make all payments in settlement of PS Transmission Payments, Termination Payments and all Recoveries into the PoT Account. For the avoidance of doubt, PS Transmission Payments shall include any relevant Termination Payments payable in respect of PS Transmission Payments relating to the Gas Year in which termination occurs.

2A.2.1.3 The Licensee shall pay all sums which it receives directly from, or on behalf of, any of its Gas Suppliers in respect of PS Transmission Payments and Recoveries into the PoT Account.

2A.2.1.4 Where the Licensee has a Distribution Business and/or a Supply Business it shall for the purposes of this Condition 2A deal with such Distribution Business and/or Supply Business as if each such Separate Business were a third party Gas Supplier, including but not limited to providing or procuring forecasts relating to each such Separate Business, issuing invoices to each such Separate Business relating to PS Transmission Payments and maintaining appropriate records of all dealings with each such Separate Business.

2A.2.1.5 As used in this Condition and in Conditions 2A.1.6 to 2A.1.16:

- (a) "**Day**", **MDQ**, and "**PS Code Charges**" have the respective meanings given in the Network Code and / or (as the context requires) in the Network Codes of the other Designated Pipe-line Operators;
- (b) "**Gas Year 2011 / 12**" means the Gas Year which commenced on 1 October 2011;
- (c) "**Gas Year 2012 / 13**" means the Gas Year commencing on 1 October 2012;

- (d) "**Gas Year 2013 / 14**" means the Gas Year commencing on 1 October 2013;  
and
- (e) The "**Threshold Amount**" or "Threshold Quantity" means an amount or quantity equal to 5% of the aggregate of the MDQs represented by Firm Capacity (as defined in 2A.1.1) allocated at Exit Points on the designated Network

2A.2.1.6 The Licensee shall offer:

- (a) firm and interruptible third party access services down to a period of one day;  
and
- (b) an interruptible virtual reverse flow service,

(the services referred to in (a) and (b) above being respectively the "**Short Term Capacity Service**" (or the "**STC Service**") and the "**Virtual Reverse Flow Service**" (or the "**VRF Service**") and together the "**STC / VRF Services**") and, in order to facilitate the provision of the STC/VRF Services, this Licence has been modified by the incorporation of the Conditions numbered 2A.2.1.5 to 2A.2.1.16 (such Conditions being together the "**Short Term Capacity / Virtual Reverse Flow Conditions**" (or the "**STC / VRF Conditions**") and the remaining Conditions of this Part 2A being the "**Postalisation Conditions**").

Modifications having equivalent effect have been made to the Respective Licences of each other Designated Pipe-line Operator.

2A.2.1.7 In applying or giving effect to the Conditions in this Part 2A

- (a) it shall be conclusively presumed that the amounts payable to the Licensee in respect of the charges described in Condition 2A.2.1.9 (and the amounts payable in respect of the like charges described in the corresponding Condition of the Respective Licences of the other Designated Pipe-line Operators) do not constitute PS Transmission Payments and are not to be paid into the PoT Account;
- (b) it shall be conclusively presumed that Daily Capacity allocated pursuant to the Network Code (and / or, as the context requires, the Network Code of any

other Designated Pipe-line Operator) does not constitute (and shall not be taken into account in any calculation of) Actual Firm Capacity, Firm Capacity, GS Firm Capacity, Initial Firm Capacity or PS Initial Firm Capacity; and

- (c) any gas which is allocated to a Gas Supplier at any Exit Point on the Designated Network pursuant to any use of the VRF Service shall be disregarded in any calculation of Exit Quantity, Annual Exit Quantity, Forecast Supplier Quantity, Forecast Annual Quantity, GS Annual Exit Quantity, Gas Suppliers' Exit Quantities, PS Forecast Annual Quantity or PS Annual Exit Quantity either as defined in this Licence or the Respective Licence of any other Designated Pipe-line Operator which falls to be made pursuant to the Postalisation Conditions.

2A.2.1.8 The following provisions shall also apply:

- (a) subject to (c) below, each Gas Supplier shall, in respect of each kWh of gas which is allocated to that Gas Supplier at any Exit Point on the Designated Network, be liable to pay the same commodity based charge as each other Gas Supplier for whom gas is exited anywhere on the Designated Network, irrespective of whether the Gas Supplier's entitlement to the allocation of gas arises from the utilisation of Firm Capacity (as defined in Condition 2A.1.1) or from the utilisation of Daily Capacity or Available Interruptible Capacity allocated pursuant to the Network Code;
- (b) such commodity based charge shall constitute PS Transmission Payments for all the purposes of this Licence and the respective licences of the other Designated Pipe-line Operators, without in any way limiting the foregoing, (i) the Licensee shall require all of its Gas Suppliers to make all payments in respect of such charge into the PoT Account and (ii) the Licensee shall pay all sums which it receives directly from, or on behalf of, any of its Gas Suppliers in respect of such charges into the PoT Account; and
- (c) no commodity based charge (or, other than as referred to in Conditions 2A.2.1.9(b) or 2A.2.1.11, any other charge) shall be payable by a Gas Supplier in respect of any gas which is allocated to that Gas Supplier at any

Exit Point where the allocation is made pursuant to a utilisation of the VRF Service.

- 2A.2.1.9 The Licensee shall charge each of its Gas Suppliers to whom it provides the STC / VRF Services the following amounts, namely:
- (a) in respect of each kWh / day of Daily Capacity which is allocated in respect of a given Day, an amount equal to the capacity charge per kWh applicable for that Day, as determined pursuant to the charging methodology statement approved by the Authority pursuant to Condition 2A.2.1.10 for the Gas Year in which that Day falls; and
  - (b) in respect of each provision of the VRF Service, the charge for such provision which is applicable at the relevant time, as determined pursuant to the charging methodology statement approved by the Authority from time to time.
- 2A.2.1.10 Not later than the date on which this Licence is modified by the incorporation of this Condition, the Licensee shall publish a charging methodology statement approved by the Authority (and in a manner so approved) showing the charges referred to in Condition 2A.2.1.9(a) and (b) in respect of (i) the Day which commences on 1 July 2012 and each subsequent Day in the Gas Year 2011 / 12 and (ii) each Day in the Gas Year 2012 / 13. The Licensee shall, not later than 1 July in the Gas Year 2012 / 2013 and in each subsequent Gas Year, publish a charging methodology statement approved by the Authority (and in a manner so approved) showing the charges referred to in Condition 2A.2.1.9(a) and (b) in respect of each Day in the forthcoming Gas Year.
- 2A.2.1.11 Nothing in this Licence shall prejudice the right of the Licensee to impose on and recover from any Gas Supplier to whom it provides the STC / VRF Services any PS Code Charges which are payable by that Gas Supplier in respect of the STC / VRF Services pursuant to the Network Code.
- 2A.2.1.12 Notwithstanding any Condition of this Licence which may otherwise prohibit it from doing so, the Licensee shall apply charges in respect of the STC / VRF Services in accordance with the STC / VRF Conditions and the relevant provisions

of the Network Code and (if and to the extent such would otherwise would be the case) the application of such charges shall not constitute a contravention of any of the Conditions of this Licence. The Conditions of this Licence (other than the STC / VRF Conditions) shall accordingly be read and given effect to accordingly.

2A.2.1.13 For the avoidance of doubt, the charges described in Condition 2A.2.1.9 shall not be subject to reconciliation or other adjustment on any ground following the end of a Gas Year (including the ground that forecast costs or other amounts differ from the corresponding outturn costs or other amounts).

2A.2.1.14 If the aggregate of the MDQs represented by Daily Capacity allocated at Exit Points on the Designated Network in respect of any period of twelve (12) consecutive months exceeds the Threshold Amount (or is forecast by the Licensee to be exceeded in respect of any period of twelve (12) consecutive months) the Licensee may give notice to the Authority stating that the Licensee wishes to secure the making of modifications to this Licence and the Network Code (and to the Respective Licences and Network Codes of other Designated Pipe-line Operators) which will have the effect that the amounts payable to the Licensee in respect of such charges are postalised and brought within the regime for postalised charging applicable under the Postalisation Conditions (such modifications being the “required modifications”)

2A.2.1.15 The Authority may at any time (and irrespective of whether or not the circumstance described in Condition 2A.2.1.14 has occurred) give notice to the Licensee stating that the Authority wishes to secure the making of the required modifications.

2A.2.1.16 If the Licensee gives notice pursuant to Condition 2A.2.1.14 or the Authority gives notice pursuant to Condition 2A.2.1.15, the Licensee shall co-operate with the Authority in taking and implementing the steps which are necessary in order to secure the making of the required modifications.

## **2A.2.2 Charging methodology for the conveyance of gas**

2A.2.2.1 Subject to Condition 2A.2.2.5, the Licensee shall charge each of its Gas Suppliers in respect of the Exit of gas from, and holding of capacity on, the Designated Network the Monthly Postalised Payments in respect of each month or part thereof

in a Gas Year in accordance with the terms of this Licence and the applicable provisions of the Network Code.

2A.2.2.2 The Licensee shall charge each of its Gas Suppliers any Debt Payment payable by them in accordance with any Debt Notice; and shall reduce any relevant invoice in respect of Monthly Postalised Payments by the amount of any Debt Repayment in accordance with any Debt Notice in each case in accordance with the terms of this Licence and the applicable provisions of the Network Code.

2A.2.2.3 On or before the 10<sup>th</sup> Business Day in December following the end of each Gas Year in respect of which the Licensee has charged Monthly Postalised Payments to a Gas Supplier pursuant to Condition 2A.2.2.1 the Licensee shall, subject to Condition 2A.2.2.5, charge to such Gas Supplier any Supplemental Payment, and charge or repay (as appropriate) to such Gas Supplier a Commodity Reconciliation Payment and a Capacity Reconciliation Payment applicable in respect of that Gas Year calculated in accordance with the Reconciliation Payment Formulae in Condition 2A.2.6.3.

2A.2.2.4 Unless the Authority otherwise expressly consents in writing the Licensee shall apply no charge on the Postalised System other than the PS Transmission Payments or as otherwise permitted under the Licence or the Network Code.

2A.2.2.5 The Licensee shall acknowledge that each PS Gas Supplier's obligation to pay PS Transmission Payments shall be consideration for the allocation by the Licensee to such PS Gas Supplier, their nominee or agent (such nominee or agent to be a PS Gas Supplier or otherwise approved by the Authority) of both Firm Capacity at a Transit Point on the Designated Network and the relevant quantity of gas for exit at a Transit Point for the purpose of the Transit of such gas.

### **2A.2.3 Duty to provide forecasts and information relating to the calculation of the Postalised Charges**

#### **2A.2.3.1 Forecasts and information relating to following Gas Years**

(a) For the purpose of Condition 2A.2.5, the Licensee shall use its reasonable endeavours, in each Gas Year, to provide the following forecasts and information in respect of the next Gas Year ("GY") and each of the following

four Gas Years inclusive (“GY+1” to “GY+4” respectively) (the “Forecast Figures”) to the Authority no later than the last Business Day in June:

- (i) the total of all Forecast Supplier Quantities in a Gas Year (the “Forecast Annual Quantity”) together with:
  - (aa) an explanation of the reasons why any Forecast Annual Quantity in respect of any of the Gas Years GY+1 to GY+4 are expected to be greater or less than the Forecast Annual Quantity in respect of GY;
  - (bb) a breakdown of the Forecast Annual Quantities in respect of each Exit Point in each relevant Gas Year; and
  - (cc) a breakdown showing the proportions of the Forecast Annual Quantity and aggregated Forecast Supplier Quantities attributable to each Quarter of GY;
- (ii) the assumptions on which the figures provided pursuant to Condition 2A.2.3.1(a)(i) were based:
  - (aa) which for power stations shall include but not be limited to load factors, generation output and efficiency;
  - (bb) which for Gas Suppliers to distribution networks shall include but not be limited to numbers of consumers and average forecast quantity per consumer;

and in either case shall include an explanation of any material difference between such forecasts for the year GY and the forecast in respect of the then current Gas Year; and

- (iii) the Initial Firm Capacity in respect of GY and a forecast of Initial Firm Capacity in respect of GY+1 to GY+4 inclusive, together, if applicable, with an explanation of the reasons why any forecast is higher or lower than the Initial Firm Capacity figure for GY.



- (b) The Licensee shall use its reasonable endeavours to ensure that all Forecast Figures supplied to the Authority in accordance with Condition 2A.2.3.1(a) are as accurate as possible having regard to the information and forecasts available to the Licensee including that provided by its Gas Suppliers and shall provide to the Authority, with the figures provided under Condition 2A.2.3.1(a)(i) (the “Quantity Figures”), a full explanation as to how they have been calculated. In the event that any such Gas Supplier has failed to provide such information prior to the date specified by 2A.2.3.1(a), the Licensee shall ensure that the Quantity Figures are as accurate as possible having regard to the information and forecasts available to the Licensee and shall inform the Authority which Gas Suppliers have failed to provide the required information.
- (c) The Licensee shall promptly provide to the Authority such further information or explanation and access to relevant documents and records, in each case as the Authority reasonably requires, in relation to the Quantity Figures.
- (d) The Licensee may fulfil its obligations under this Condition 2A.2.3.1 by providing the relevant information in a joint report with one or more other Designated Pipe-line Operators which shall comply with this Condition 2A.2.3.1 in respect of the Licensee and each such Designated Pipe-line Operator.
- (e) If, in the Authority’s reasonable opinion, having regard to information and explanations provided by the Licensee and representations made on or before the twelfth Business Day in July by parties which the Authority reasonably considers to have sufficient interest in making such representations (such parties to include the Licensee):
- a Forecast Annual Quantity figure does not represent an accurate estimate taking into proper account all relevant information; and/or
  - the assumptions provided in accordance with Condition 2A.2.3.1(a)(ii) are inappropriate;

the Authority may by notice to the Licensee given on or before the thirteenth Business Day in July of the relevant Gas Year modify the Forecast Annual Quantity, such notice to contain an explanation of the reasons for such modification. The modified figure set out in any such notice shall be substituted for and for all purposes treated as the Forecast Annual Quantity submitted by the Licensee.

- (f) The Licensee shall, not later than the fifteenth Business Day in July submit the Forecast Figures (adjusted to reflect any modification made by the Authority pursuant to Condition 2A.2.3.1(e)) to the PSA for calculation of the Forecast Postalised Charges in accordance with the PSA Agreement.
- (g) If the Licensee fails to provide the Forecast Figures in accordance with, and/or by the date specified in, Condition 2A.2.3.1(a) the Authority shall be entitled on or after the thirteenth Business Day in July by written notice to the Licensee and the PSA to determine the Forecast Figures. Forecast Figures so determined may at the Authority's discretion either:
  - (i) reflect the Actual Figures in respect of the previous Gas Year; or
  - (ii) be such other figures as the Authority reasonably deems appropriate.

#### **2A.2.3.2 Information relating to previous Gas Year**

- (a) In each Gas Year commencing on or after 1<sup>st</sup> October 2005, for the purpose of Condition 2A.2.6, the Licensee shall submit to the Authority and to the PSA, in each case no later than the tenth Business Day in November, the following information (the "Actual Figures") for the immediately preceding Gas Year:
  - (i) the Annual Exit Quantity in that Gas Year, together with a breakdown of that figure by Exit Point; and
  - (ii) the Actual Firm Capacity.

and with the Actual Figures, the Licensee shall provide the Authority and each of the other Designated Pipe-Line Operators with any further information required under any other Condition of this Licence.

- (b) The Licensee shall provide to the Authority such further information or explanation and access to relevant documents and records, in each case as the Authority reasonably requires in connection with its consideration of any differences between the Forecast Figures and the corresponding Actual Figures for the relevant Gas Year.
- (c) If the Licensee fails to provide the Actual Figures in accordance with, and/or by the date specified in, Condition 2A.2.3.2(a) the Authority shall be entitled to determine the Actual Figures as it reasonably deems appropriate and shall inform the Licensee and the PSA by notice of the Actual Figures so determined.

### **2A.2.3.3 Provision of quarterly information**

- (a) In respect of each Gas Year commencing on or after the Designation Date, the Licensee shall provide:
  - (i) the Authority; and
  - (ii) all of the other Designated Pipe-line Operators;with a breakdown of the Quarterly Exit Quantities by Exit Point for the relevant Quarter and any other information required to be provided by the Licensee on a Quarterly basis under this Licence, no later than 10 Business Days after the end of each Quarter in a Gas Year.
- (b) At the same time as the Licensee provides the figures required under Condition 2A.2.3.3(a), the Licensee shall confirm to the Authority, the other Designated Pipe-line Operators and each of the PS Gas Suppliers whether it is aware of or has reason to believe that the Forecast Figures provided in accordance with Condition 2A.2.3.1(a) for the remainder of the current or any future Gas Years will or may be materially inaccurate. If the Licensee suspects such material inaccuracy, it shall provide details of the extent of such inaccuracy, and its reasons for such belief.

- (c) The Licensee may fulfil its obligations under this Condition 2A.2.3.3, by submitting, together with one or more other Designated Pipe-line Operators, a joint report which shall comply with this Condition 2A.2.3.3.
- (d) The Licensee shall provide to each PS Gas Supplier details of the aggregate sum of all Quarterly Exit Quantities (whether in the form of a joint report or otherwise) in respect of each Exit Point on the Designated Network.

#### **2A.2.4 Duty to co-operate with the PSA and other Designated Pipe-line Operators**

The Licensee shall co-operate with the PSA and other Designated Pipe-line Operators with a view to facilitating the PSA in complying with its obligations under the PSA Agreement and to facilitating the other Designated Pipe-line Operators in complying with their obligations under Conditions 2A.2 and 2A.4 of their Respective Licences.

#### **2A.2.5 Forecast Postalised Charges**

Subject to Condition 2A.2.8, the Forecast Postalised Charges shall be calculated by the PSA and shall comprise a Forecast Postalised Commodity Charge calculated in accordance with Condition 2A.2.5.1 and a Forecast Postalised Capacity Charge calculated in accordance with Condition 2A.2.5.2.

##### **2A.2.5.1 Forecast Postalised Commodity Charge**

- (a) Subject to Conditions 2A.2.5.3, 2A.2.5.4 and 2A.2.8, the Forecast Postalised Commodity Charge to be charged in respect of Gas Year “t” to each Gas Supplier in respect of each kWh of gas allocated to each such Gas Supplier under the Network Code in respect of each Exit Point during that Gas Year shall be calculated in accordance with the following formula:

$$\text{FPComC}_t = \frac{\text{PSFRR}_t * \text{Commodity Percentage}}{\text{PS Forecast Annual Quantity}_t}$$

where:

“**FPComC<sub>t</sub>**” means the Forecast Postalised Commodity Charge for Gas Year “t”;

“**Commodity Percentage**” means:

- (i) 50% in respect of Gas Years ending on or before 06:00 hours on 01 October 2008; and
- (ii) 25% in respect of Gas Years ending after 06:00 hours on 01 October 2008.

Notwithstanding the above, where the PS Forecast Annual Quantity is zero, the Commodity Percentage shall be 0%.

**“PS Forecast Annual Quantity<sub>t</sub>”** means:

the sum of the Forecast Annual Quantities (as that term is defined in each Designated Pipe-line Operator’s Respective Licence) in respect of all PS Gas Suppliers for the relevant Gas Year “t”; and

**“PSFRR<sub>t</sub>”** means the PS Forecast Required Revenue for Gas Year “t”.

- (b) A Monthly Postalised Commodity Payment shall be calculated in accordance with the following formula in respect of gas allocated to each Gas Supplier for Exit in respect of the previous month, the components of which shall be applied in respect of month (“m”) in Gas Year “t” and shall be payable by a Gas Supplier “s”:

$$MPComP_{sm} = FPComC_t \times MEQ_{sm}$$

where

$MPComP_{sm}$  means the Monthly Postalised Commodity Payment payable by a Gas Supplier “s” in respect of month “m” of Gas Year “t”;

$FPComC_t$  means the Forecast Postalised Commodity Charge applicable in respect of Gas Year “t” in accordance with 2A.2.5.1(a); and

$MEQ_{sm}$  means the Exit Quantity allocated to Gas Supplier “s” in respect of an Exit Point and in respect of month “m”.

- (c) If the aggregate of the Monthly Postalised Commodity Payments invoiced or to be invoiced to a Gas Supplier “s” in respect of a Gas Year “t” ( $\Sigma MPComP_{st}$ ) is less than the product of  $FPComC$  multiplied by the Minimum Quantity Value in respect of Gas Year “t” for Gas Supplier “s” the Licensee shall invoice to Gas

Supplier “s” in accordance with the provisions of this Licence, an Auxiliary Payment calculated by the Licensee as follows:

$$(FPComC_t \times \text{Minimum Quantity Value}_{st}) - \Sigma MPComP_{st}$$

Such Auxiliary Payments shall be included in the invoice for PS Transmission Payments applicable for the last month in Gas Year “t”

- (d) The Forecast Postalised Commodity Charge invoice to a Gas Supplier “s” in respect of a Gas Year “t” or month “m” of Gas Year “t” calculated in accordance with Condition 2A.2.5.1(a) shall be rounded to seven [7] decimal places.

#### **2A.2.5.2 Forecast Postalised Capacity Charge**

- (a) Subject to Conditions 2A.2.5.3, 2A.2.5.4 and 2A.2.8, the Forecast Postalised Capacity Charge to be charged to each Gas Supplier in respect of each kWh/day of Firm Capacity in respect of a Gas Year shall be calculated in accordance with the following formula:

$$FPCapC_t = \frac{PSFRR_t * \text{Capacity Percentage}}{PS \text{ Initial Firm Capacity}_t}$$

where:

“**FPCapC**” means the Forecast Postalised Capacity Charge; and

“**Capacity Percentage**” means:

- (i) 50% in respect of Gas Years ending on or before 06:00 hours on 01 October 2008; and
- (ii) 75% in respect of Gas Years ending after 06:00 hours on 01 October 2008.

Notwithstanding the above, where the PS Forecast Annual Quantity is zero, the Capacity Percentage shall be 100%.

“**PS Initial Firm Capacity<sub>t</sub>**” means:

the sum of the Initial Firm Capacity (as that term is defined in each Designated Pipe-line Operator's Respective Licence) held by PS Gas Suppliers for the relevant Gas Year "t".

"PSFRR<sub>t</sub>" means the PS Forecast Required Revenue for Gas Year "t" .

- (b) A Monthly Postalised Capacity Payment shall be calculated in accordance with the following formula in respect of the Firm Capacity held by each Gas Supplier, the components of which shall be applied in respect of month "m" in Gas Year "t" and shall be payable by a Gas Supplier "s":

$$\text{MPCapP}_s = \frac{\text{FPCapC}_t}{12} \times \text{FC}_s$$

where

MPCapP<sub>s</sub> means the Monthly Postalised Capacity Payment payable by a Gas Supplier "s" in respect of month "m" of Gas Year "t";

FPCapC<sub>t</sub> means the Forecast Postalised Capacity Charge applicable in respect of Gas Year "t" in accordance with 2A.2.5.2(a); and

FC<sub>s</sub> means the Firm Capacity held by a Gas Supplier "s" in respect of Gas Year "t".

- (c) The Forecast Postalised Capacity Charge invoiced to a Gas Supplier "s" in respect of a Gas Year "t" or month "m" of Gas Year "t" calculated in accordance with Condition 2A.2.5.2 (a) shall be rounded to five [5] decimal places.

### 2A.2.5.3 **Emergency Events**

If at any point in the period from the date of provision of the Forecast Figures for the next Gas Year referred to in Condition 2A.2.3.1 to the start of the next Gas Year an unforeseen event occurs which the Authority believes is likely materially to affect the Forecast Figures for that next Gas Year the Authority may at its discretion by notice to the Licensee and the PSA adjust the Forecast Figures in respect of such next Gas Year to reflect the effect of such event. The Forecast Postalised Charges

for such next Gas Year shall be calculated by the PSA in accordance with such adjusted figures.

#### **2A.2.5.4 Amendment to Forecast Postalised Charges**

If at any date during any Gas Year (“Relevant Charge Date”) the Department issues a Designation Order, or if any Designated Pipe-line Operator ceases to be a Designated Pipe-line Operator, unless the Authority determines otherwise:

- (a) the Forecast Postalised Charges shall be recalculated with effect from the Relevant Charge Date; and
- (b) the Year-End Postalised Charges shall be calculated in respect of the period up to the Relevant Charge Date and the period following the Relevant Charge Date

in each case as determined by the Authority so that an appropriate proportion only of the Forecast Required Revenue of the relevant Designated Pipe-line Operator (as defined in that Designated Pipe-line Operator’s Respective Licence) shall be taken into account before and after the Relevant Charge Date and such adjustments as the Authority considers appropriate shall be made to the PS Forecast Annual Quantity, PS Annual Exit Quantity, PS Initial Firm Capacity, PS Forecast Required Revenue, and PS Actual Firm Capacity, and notified to the Designated Pipe-Line Operators and the PSA.

#### **2A.2.6 Year-End Postalised Charges**

The Year-End Postalised Charges shall comprise a Year-End Postalised Commodity Charge calculated in accordance with Condition 2A.2.6.1 and a Year-End Postalised Capacity Charge calculated in accordance with Condition 2A.2.6.2 in each case calculated by the PSA. In addition, where one or more Gas Suppliers is or are subject to a commitment to make a Supplemental Payment the Licensee shall comply with Condition 2A.2.6.4.

##### **2A.2.6.1 Year-End Postalised Commodity Charge**

The Year-End Postalised Commodity Charge in respect of each kWh of gas allocated to each Gas Supplier under the Network Code in respect of each Exit



Point on each day during a Gas Year “t” shall be calculated as determined in accordance with the following formula, the components of which shall be in relation to Gas Year “t”:

$$\text{YEPComC}_t = \frac{((\text{PSARR}_t - T_t) * \text{Commodity Percentage}) - \text{Supplemental Payments}_t}{\text{PS Annual Exit Quantity}_t}$$

where:

**YEPComC<sub>t</sub>** means the Year-End Postalised Commodity Charge for Gas Year “t”;

**PSARR<sub>t</sub>** means the PS Actual Required Revenue in respect of Gas Year “t”;

**T<sub>t</sub>** means any Termination Payments payable in respect of PS Transmission Payments relating to Gas Year “t”;

**“PS Annual Exit Quantity<sub>t</sub>”** means:

the sum of the Annual Exit Quantities (as that term is defined in each Designated Pipe-line Operator’s Respective Licence) for the relevant gas year “t”.

Notwithstanding the provisions of Condition 2A.2.5.1, where the PS Annual Exit Quantity is zero, the Commodity Percentage shall be 0%.

#### **2A.2.6.2 Year-End Postalised Capacity Charge**

The Year-End Postalised Capacity Charge in respect of each kWh/day of Firm Capacity held by each Gas Supplier for Exit from any part of the Designated Network during a Gas Year “t” shall be determined in accordance with the following formula:

$$\text{YEPCapC}_t = \frac{(\text{PSARR}_t - T_t) * \text{Capacity Percentage}}{\text{PS Actual Firm Capacity}_t}$$

where:

**“YEPCapC<sub>t</sub>”** means the Year-End Postalised Capacity Charge for Gas Year “t”;

**PSARR<sub>t</sub>** = the PS Actual Required Revenue in respect of Gas Year “t”;

**T<sub>t</sub>** means any Termination Payments payable in respect of PS Transmission Payments relating to Gas Year “t”;

**“PS Actual Firm Capacity<sub>t</sub>”** means the sum of the Actual Firm Capacity (as that term is defined in each Designated Pipe-line Operator’s Respective Licence) held in a Gas Year by all PS Gas Suppliers.

Notwithstanding the provisions of Condition 2A.2.5.2, where the PS Annual Exit Quantity is zero, the Capacity Percentage shall be 100%.

### **2A.2.6.3 Reconciliation Payments**

- (a) A Capacity Reconciliation Payment shall be calculated in respect of each Gas Supplier in accordance with the following formula (which, together with the formula contained in Condition 2A.2.6.3(b) below, shall be referred to as the “Reconciliation Payment Formulae”) and shall be payable by a Gas Supplier “s” if a positive value, and payable to Gas Supplier “s” if a negative value:

$$\text{CapRP}_{st} = (\text{YEP CapC}_t - \text{FPCapC}_t) \times \text{GS Firm Capacity}_{st}$$

where:

**“CapRP<sub>st</sub>”** means the Capacity Reconciliation Payment payable by or to Gas Supplier “s” in respect of Gas Year “t”;

**“YEP CapC<sub>t</sub>”** means the Year-End Postalised Capacity Charge applied in respect of Gas Year “t”;

**“FPCapC<sub>t</sub>”** means the Forecast Postalised Capacity Charge applied in respect of Gas Year “t”; and

**“GS Firm Capacity<sub>st</sub>”** means the GS Firm Capacity held by a Gas Supplier “s” in respect of Gas Year “t”;

- (b) A Commodity Reconciliation Payment shall be calculated in respect of each Gas Supplier in accordance with the following formula and shall be due from a Gas Supplier “s” if a positive value, and shall be due to a Gas Supplier “s” if a negative value:

$ComRP_{st} = E$  or, in the event that  $E$  is a positive value, the lesser of  $E$  and the sum of 15% of  $\Sigma MPComP_{st}$  plus 15% of any Auxiliary Payments invoiced to that Gas Supplier in accordance with Condition 2A.2.5.1(c)

where:

“**ComRP<sub>st</sub>**” means the Commodity Reconciliation Payment payable by or to Gas Supplier “s” in respect of Gas Year “t”;

$E = (YEPComC_t - FPComC_t) \times GS \text{ Annual Exit Quantity}_{st}$  ;

“**YEPComC<sub>t</sub>**” means the Year-End Postalised Commodity Charge applied in respect of Gas Year “t”;

“**FPComC<sub>t</sub>**” means the Forecast Postalised Commodity Charge applied in respect of Gas Year “t”;

“**GS Annual Exit Quantity<sub>t</sub>**” means the Exit Quantities of Gas Supplier “s” in respect of Gas Year “t”; and

“ **$\Sigma MPComP_{st}$** ” means the aggregate of the Monthly Postalised Commodity Payments invoiced to a Gas Supplier “s” in respect of a Gas Year “t”

**2A.2.6.4** Where a Gas Supplier is subject to a commitment which gives rise to an obligation to make a Supplemental Payment in respect of any Gas Year the Licensee shall invoice the Gas Supplier promptly in accordance with the terms of the commitment and Condition 2A.2.3 in respect of that Supplemental Payment and shall provide full details of the amount payable to the Authority, the PSA and the other Designated Pipe-line Operators.

#### **2A.2.7 Publication of Postalised Charges**

Subject to any contrary requirements in this Condition 2A, the Licensee shall publish in such form and manner as the Authority may direct:

- (a) no later than 3 Business Days after notification to it by the PSA of the Forecast Postalised Charges, or revised Forecast Postalised Charges as

calculated under Condition 2A.2.5.3, in respect of the next Gas Year and each of the following four Gas Years, a statement of such charges; and

- (b) no later than 3 Business Days after notification to it by the PSA of the Year-End Postalised Charges in respect of a Gas Year, a statement of the Year-End Postalised Charges; and
- (c) no later than 3 Business Days after notification to it by the Authority of any amendments to Forecast Postalised Charges required under Condition 2A.2.5.4, a statement of the amended charges.

#### **2A.2.8 Forecast Postalised Charges for Gas Year commencing 01 October 2004**

The Forecast Postalised Charges to be charged by the Licensee in respect of the Gas Year commencing 01 October 2004 shall be such charges as shall be calculated by the Authority by application of the Forecast Postalisation Formulae using such estimates and relevant information as may have been provided to the Authority or as the Authority otherwise deems appropriate, and notified to the Designated Pipeline Operators and the PSA.

## **Condition 2A.3 –Recovery of PS Non-Payments**

### **2A.3.1 Invoicing of PS Transmission Payments**

The Licensee shall issue all invoices, including appropriate VAT invoices to Gas Suppliers in respect of PS Transmission Payments promptly, accurately, and in accordance with the Network Code and the provisions of this Licence.

### **2A.3.2 PS Non-Payment and Recovery**

In the event of a PS Non-Payment by a Gas Supplier, the Licensee shall:

- (a) take all reasonable steps which a prudent network operator acting efficiently and in accordance with best industry practice would take to recover the amount of the PS Non-Payment,
- (b) in accordance with the Terms of Reference:
  - (i) convene a first meeting of the Credit Committee within 10 Business Days of such PS Non-Payment and such further meetings as may be necessary or appropriate;
  - (ii) attend and participate in any meetings of the Credit Committee convened in connection with the PS Non-Payment; and
  - (iii) comply with any directions issued by the Credit Committee at any time in respect of any PS Non-Payment (“Directions”);
- (c) prior to the first meeting of the Credit Committee referred to in Condition 2A.3.2(b)(i) provide to all parties entitled to attend that meeting the following information (or as much of it as the Licensee is able to provide):
  - (i) full details of the PS Non-Payment(s) including the amount of each PS Non-Payment and the identity of the debtor;
  - (ii) full details of the security provided by the debtor in respect of PS Transmission Payments under the Network Code and, where applicable any steps taken or being taken to enforce it;

- (iii) if desired, a draft of any Directions it believes appropriate for the Credit Committee to consider in respect of the PS Non-Payment(s);
- (iv) all relevant information relating to any proceedings for the liquidation or winding up of the debtor, the making of an administration order or arrangement with any class of creditors, the appointment of an administrator or administrative receiver or receiver or any equivalent insolvency event;
- (v) full details of the steps taken by the Licensee to recover the outstanding amounts with evidence supporting such details; and
- (vi) a full explanation of the reasons why the Licensee has failed to recover the PS Non-Payment(s) at the relevant date;

provided that all such information shall be updated and resubmitted to the relevant parties by the Licensee prior to any further meetings of the Credit Committee which are convened after the first such meeting under Condition 2A.3.2(b)(i), in the event that such information becomes inaccurate with the passage of time; and

- (d) notify the Designated Pipe-line Operators, the PSA and the Authority promptly of any Recoveries received by it and transfer any such Recoveries into the PoT Account within 2 Business Days of such receipt.

### **2A.3.3 Non Payments by other Designated Pipe-line Operators' Suppliers**

The Licensee may itself, or in common with other Designated Pipe-line Operators, convene a meeting of the Credit Committee in relation to any PS Non-Payments caused by a PS Gas Supplier failing to pay PS Transmission Payments invoiced by another Designated Pipe-Line Operator in the event that it believes that the Designated Pipe-line Operator from whose network the defaulting PS Gas Supplier exits gas has failed to convene the Credit Committee within the appropriate period following a PS Non-Payment, or is not fulfilling any Directions.

### **2A.3.4 Debt Payments**

- 2A.3.4.1 The Licensee shall, not later than 5 Business Days before the Invoice Date occurring in the month following a Non-Payment Month, notify the PSA, all Designated Pipe-line Operators, all PS Gas Suppliers, and the Authority of the amount of any PS Non-Payment(s) caused by or relating to its Gas Suppliers arising in that Non-Payment Month which are still outstanding on such date.
- 2A.3.4.2 The Licensee shall invoice to all Gas Suppliers any Debt Payment or account to all Gas Suppliers in respect of any Debt Repayment, in each case in accordance with the Network Code and as detailed in any Debt Notice in order to give effect to Condition 2A.3.4.3 and shall provide to each Gas Supplier sufficient supporting information to enable it to verify the calculation of Debt Payment or Debt Repayment due from or to it.
- 2A.3.4.3 Each month “**m**”, the Net Debt Position (“**NDP**”) as at the Debt Notice Date will be calculated by the PSA as follows:

$$NDP_m = (A - B - C) + Z$$

Where:

A = as at the Debt Notice Date the current PS Notified Debt;

B = as at the Debt Notice Date, the sum of all Debt Payments then paid or payable (including any interest accrued or accruing in respect of late payments) minus the sum of all Debt Payments then paid or payable (including any interest accrued or accruing in respect of late payments);

C = as at the Debt Notice Date, the total value of all Recoveries received into the PoT Account, together with any interest paid on such Recoveries;

Z = the sum of all interest charges accrued in relation to NDP in previous months calculated in respect of each such previous month (“**pm**” and each such interest charge being “**I<sub>pm</sub>**”) as:

$$I_{pm} = NDP_{pm} \times r$$

r = the interest rate from time to time calculated at the monthly equivalent rate of 0.75 plus the one month LIBOR rate, published five Business Days before the relevant Invoice Date.

- (i) Where NDP is positive, a Debt Payment shall be invoiced to each Gas Supplier in respect of such positive figure. Such Debt Payment shall, in reference to Gas Supplier “s” be calculated by the PSA in accordance with the following method:

the Debt Payment payable by a Gas Supplier “s” in any month shall be equal to the lower of X and Y:

where:

X = the sum of 10% of the total amount payable by a Gas Supplier “s” in respect of the Total Monthly Payment invoiced in the month preceding the month in which the Debt Payment is to be invoiced (such earlier month being “m-1”) and 100% of the amount payable to Gas Supplier(s) in respect of Reconciliation Payments in the month in which the Debt Payment is to be invoiced.

$$Y = \frac{(NDP_m + I_m) \times (TMP_{sm-1})}{PSTMP_{m-1}}$$

where:

$TMP_{sm-1}$  = Total Monthly Payment, calculated as the sum of Monthly Postalised Payments plus any Auxiliary Payments, payable by a Gas Supplier “s” invoiced in the month preceding the month when the Debt Payment is invoiced (“m-1”);

$I_m = NDP_m \times r$ ; and

$PSTMP_{m-1}$  = the aggregate of Total Monthly Payments payable by all PS Gas Suppliers invoiced in respect of the month preceding the month when the Debt Payment is invoiced (“m-1”);



- (ii) Where NDP is negative in respect of a month (month “m”), an amount (a “Debt Repayment”) shall be payable by the Licensee to each relevant Gas Supplier (or former Gas supplier, as the case may be) in respect of any such negative figure. In reference to a Gas Supplier “s” a Debt Repayment shall be calculated by the PSA in accordance with the following formula (the “**Debt Repayment Formula**”):

$$\text{Debt Repayment to Gas Supplier “s”} = \frac{-\text{NDP} \times \text{ADP}_s}{\text{APSDP}}$$

where:

“ADP<sub>s</sub>” means the aggregate Debt Payments payable by a Gas Supplier “s” over the Debt Payment Period;

“Debt Payment Period” means the last month preceding month “m” in which a Debt Payment was payable by PS Gas Suppliers, or, if a Debt Payment has been payable by PS Gas Suppliers in respect of two or more consecutive months preceding month “m”, the period of all such consecutive months preceding month “m”.

“APSDP” means the aggregate of Debt Payments payable by PS Gas Suppliers during the Debt Payment Period.

## **Condition 2A.4 – The Postalisation System Administrator**

### **2A.4.1 The PSA’s primary obligations**

2A.4.1.1 Subject to Condition 2A.4.1.2, unless the Authority otherwise directs or consents, the Licensee shall do all things within its power to:

- (a) enter into, before such date as is appointed by the Authority; and
- (b) be party at all times thereafter to

arrangements whereby a person who fulfils the criteria set out in Condition 2A.4.2 (referred to as the “Postalisation System Administrator” or “PSA”) carries out the activities specified in Condition 2A.4.3 pursuant to an agreement between the PSA and the Designated Pipe-line Operators which fulfils the criteria referred to in Conditions 2A.4.3 and 2A.4.4 and has been and remains approved by the Authority (referred to as the “PSA Agreement”).

2A.4.1.2 The Licensee shall only be entitled to terminate the PSA Agreement without the Authority’s prior written consent if the PSA is or becomes insolvent; if the PSA, in the reasonable opinion of the Licensee, commits a material breach of the terms or warranties of the PSA Agreement; or if any approval given by the Authority under Condition 2A.4.2.2 expires or is revoked. Upon such termination the Licensee shall use its best endeavours promptly to appoint a new PSA in accordance with this Condition 2A.4.

2A.4.1.3 Where written consent of the Authority is required to terminate the PSA Agreement and such consent is sought by the Licensee, such consent shall be deemed as having been given if the Authority has not sent written notice to the Licensee of its objection to such termination and the grounds for such objection within 4 weeks after its receipt of full written details of the proposed termination. The Licensee shall provide the Authority with any further relevant information requested during that four weeks.

2A.4.1.4 Unless the Authority otherwise consents, if the Licensee fails to enter into the arrangements referred to in Condition 2A.4.1.1 above by the date required by that

Condition the Licensee shall use its best endeavours to enter into such arrangements as soon as possible thereafter.

#### **2A.4.2 Criteria for appointment of the PSA**

2A.4.2.1 The person fulfilling the functions of PSA from time to time pursuant to this Condition 2A.4 shall:

- (a) be a competent, fit and proper person to fulfil the PSA Functions having the systems and controls in place to fulfil those functions; and
- (b) have sufficient suitably qualified and skilled personnel to enable it to perform the PSA Functions.

2A.4.2.2 The criteria specified in Condition 2A.4.2.1 shall be treated as satisfied in respect of any appointment if the Licensee appoints as the PSA a person who at the time of appointment is a person approved by the Authority for the purposes of this Condition and if that approval has not expired or been revoked.

#### **2A.4.3 The PSA's functions**

2A.4.3.1 The PSA Agreement shall, in accordance with Condition 2A.4.1.1, impose on the PSA the following functions (referred to as the "PSA Functions"):

- (a) the receipt from each of the Designated Pipe-line Operators of the information to be submitted to the PSA pursuant to Condition 2A.2.3 of each Designated Pipe-line Operator's Respective Licence and the receipt from each of the Designated Pipe-line Operators of its Forecast Required Revenue for the coming Gas Year "t" and the following four Gas Years pursuant to its Respective Licence;
- (b) the calculation of the relevant Forecast Postalised Charges for the next Gas Year and the following four Gas Years through application of the Forecast Postalisation Formulae and notification thereof to all Designated Pipe-line Operators in each case within 5 Business Days of receipt of the information specified in (a) above and in any event at least two Business Days before the first Business Day in August;

- (c) the verification of payments into the PoT Account (to include keeping a record of all Debt Payments paid by each PS Gas Supplier in relation to particular PS Non-Payments) and prompt notification to Designated Pipe-line Operators of any PS Non-Payment and of any Recovery paid into the PoT Account;
- (d) the calculation of any VAT Distributions due in respect of sums received into the PoT Account from PS Gas Suppliers on the date of calculation of the Monthly Distribution in the relevant month (month “m”), provided that where a sum is received from a PS Gas Supplier in respect of PS Transmission Payments and such sum is insufficient to meet both the PS Transmission Payments and VAT due on such PS Transmission Payments in full the PSA shall calculate the VAT element of the amount so received, calculated as;

$$\text{VAT}_{Lm} = (\text{VI}_{Lm-1}/\text{TI}_{Lm-1}) \times \text{TAR}_{LGm}$$

$\text{VAT}_L$  = the aggregate amount of VAT Distributions for the relevant Designated Pipe-line Operator “L” for month “m”

$\text{VI}_{Lm-1}$  = the sum of VAT amounts invoiced by the relevant Designated Pipe-line Operator “L” in the preceding month (“m-1”)

$\text{TI}_{Lm-1}$  = the sum of all amounts including VAT payable for PS Transmission Payments invoiced by the relevant Designated Pipe-line Operator “L” in the preceding month (“m-1”)

$\text{TAR}_{LGm}$  = the sum of all amounts received into the PoT Account from the relevant Designated Pipe-line Operator “L”’s PS Gas Suppliers in month “m” in respect of the amounts referred to in the definition of the term  $\text{TI}_{Lm-1}$  above.

- (e) notification to the Designated Pipe-line Operators of any part or full settlement of PS Non-Payments by PS Gas Suppliers made on or before the Second Due Date in relation to such PS Non-Payments and the issue of directions to the Trustee to distribute such settlements payments according to Condition 2A.6.
- (f) on the Debt Notice Date each month the calculation of the Net Debt Position and each Designated Pipe-line Operator’s Debt Entitlement and, where applicable, any Debt Payment or Debt Repayment to be charged or credited to each PS Gas

Supplier and the issue to Designated Pipe-line Operators and the Authority of a notice (a “Debt Notice”) in relation to any such Debt Payment and/or Debt Repayment arising which shall contain:

- (i) details of any PS Notified Debt and interest thereon and any Recovery to which such Debt Payments/Repayments relate;
  - (ii) details of the relevant Designated Pipe-line Operator’s Debt Entitlement;
  - (iii) particulars of the Debt Payment or Debt Repayment to be charged or credited to each PS Gas Supplier;
  - (iv) sufficient information concerning the Total Monthly Payments and Auxiliary Payments in any period relevant to the calculation of Debt Payment or Debt Repayment to permit verification of the calculations of Debt Payment or Debt Repayment in the Debt Notice.
- (g) the calculation of the Year-End Postalised Charges and any Capacity Reconciliation Payments and Commodity Reconciliation Payments applicable to each PS Gas Supplier in accordance with the provisions of Condition 2A.2.6.3; and the notification of the results of all such calculations to all Designated Pipe-line Operators and to the Authority no later than the 1<sup>st</sup> Business Day in December after the end of each Gas Year;
- (h) the calculation as soon as reasonably practicable, and within 5 Business Days of receipt of all relevant information in accordance with Condition 2A.6.1.3 of the Year-End Amount, if any, to be paid by or to each of the Designated Pipe-line Operators in respect of the previous Gas Year;
- (i) the calculation of upstream tariffs as required under the terms of Designated Pipe-line Operators’ licences and notification to the respective Designated Pipe-line Operator and the Authority, no later than the 17 Business Day in July;
- (j) on or before the 5th Business Day following each Due Date the calculation in respect of each Designated Pipe-line Operator of the applicable Monthly Postalised Entitlements and Monthly Distributions in respect of the relevant month; and the issue of appropriate directions to the Trustee for the purpose of

implementing Condition 2A.6 so that any such Monthly Distributions are made to Designated Pipe-line Operators as soon as possible and at least within 7 Business Days of the Due Date;

- (k) calculation of any additional sums due by way of Monthly Distribution in respect of any sum received into the PoT Account after the issue of instructions to the Trustee in accordance with (j) above and before the next Debt Notice Date;
- (l) following the end of each Gas Year, the calculation, recording and notification to the Authority and the Designated Pipe-Line Operators not later than the 10<sup>th</sup> Business Day in December of the next Gas Year of the amount of any Commodity Reconciliation Payments which would have been payable by each PS Gas Supplier in respect of each Gas Year but for the application of the 15%  $\Sigma\text{MPComP}_{\text{st}}$  cap contained in Condition 2A.2.6.3(b). Such amounts in respect of each Gas Year and each PS Gas Supplier shall be defined as the “Unrecovered Postalisation Payments” (“ $\text{UNRP}_t$ ”) and shall be calculated in accordance with the following formula:

$$\text{UNRP}_t = (\text{YEPComC}_t - \text{FPComC}_t) \times \text{PS Annual Exit Quantity}_t - \Sigma\text{ComRP}_t$$

where  $\Sigma\text{ComRP}_t$  is equal to all Commodity Reconciliation Payments as determined under Condition 2A.2.6.3 (b) in Gas Year “t”

- (m) the re-calculation of the Forecast Postalised Charges as required under Condition 2A 2.5.3 within three Business Days of receipt of adjusted figures from the Authority.
- (n) The division of any amounts in respect of Termination Payments received into the PoT Account:
  - (i)
    - (aa) between Designated Pipe-Line Operators where two or more Designated Pipe-line Operators have invoiced such payments to the same PS Gas Supplier in the same month, in proportion to the relevant invoices;

- (bb) between that part of Termination Payments payable in respect of PS Transmission Charges relating to the Gas Year in which termination occurs and that part of Termination Payments related to future Gas Years, the allocation to be made in such a way that:
  - (ii) Termination Payments shall be applied first in respect of sums due in respect of PS Transmission Charges in the Gas Year in which termination occurs; and
  - (iii) secondly, in respect of Termination Payments related to future Gas Years.

The PSA shall notify the Designated Pipe-line Operators of the sums allocated and issue directions to the Trustee to transfer the part of any such Termination Payment applicable to future Gas Years to the relevant Primary DPO in accordance with Condition 2A. 6.1.4.

#### **2A.4.4 PSA Agreement criteria**

- 2A.4.4.1 The PSA Agreement shall not, by object or effect, impose undue discrimination or confer undue preference on any Designated Pipe-line Operator or PS Gas Supplier and shall:
  - (a) require the PSA to fulfil the PSA Functions in a manner which is transparent and which does not unduly discriminate as between Designated Pipe-line Operators or PS Gas Suppliers;
  - (b) require the PSA to institute appropriate arrangements and procedures to enable the PSA to fulfil the PSA Functions in an efficient and economic manner;
  - (c) make provision for the modification of the PSA Agreement, in the following circumstances only:
    - (i) with the written consent of the Authority (such consent to be deemed as having been given at such time when the Authority has not sent written notice to the parties to the PSA Agreement of its objection to such modification and the grounds for such objection within 4 weeks of its

receipt of full written details of the proposed modification, together with any further relevant information requested by the Authority); or

- (ii) in accordance with a written direction made by the Authority to the extent necessary to ensure consistency with the Licence, following consultation with the Designated Pipe-line Operators;
- (d) provide for its termination in the event that any approval granted by the Authority pursuant to Condition 2A.4.2.2 is revoked;
- (e) require the PSA to co-operate with the Authority including without limitation by the sharing of information, both generally and to enable the Authority as far as is reasonably practicable to monitor whether the PSA is continuing to fulfil the PSA Functions in an efficient and economic manner;
- (f) require the PSA to perform its functions promptly and diligently with reasonable skill and care, and in conformity with all applicable laws, rules and regulations;
- (g) require the PSA to perform all calculations in accordance with any financial model approved by the Authority from time to time following consultation by the Authority with the Designated Pipe-Line Operators;
- (h) require the Licensee to co-operate with the PSA, such co-operation to include but not be limited to providing the PSA and other Designated Pipe-line Operators with such information as is at the Licensee's disposal and which would facilitate the operation of the system of postalised charges in respect of the Postalised System, provided that the Licensee shall not be required to provide to another Designated Pipe-line Operator confidential information, the provision of which would, or might, in the opinion of the Authority, seriously and prejudicially affect the interests of the Licensee or any PS Gas Supplier or Designated Pipe-line Operator; and
- (i) subject to Condition 2A.4.1.2 provide that, except with the consent of the Authority, the Licensee shall not terminate the PSA Agreement until such time as a new PSA has been appointed under a PSA Agreement conforming with all the requirements under this Condition 2A.4.



## **2A.4.5 Licensee's obligations in relation to the PSA**

### **2A.4.5.1 The Licensee shall:**

- (a) promptly after becoming aware thereof, notify the Authority of any material or persistent breach of any obligation by any party under the PSA Agreement;
- (b) take all reasonable steps to enforce the obligations of the parties to the PSA Agreement whenever required, or whenever so directed by the Authority by written notice, and in accordance with the terms of the direction;
- (c) not knowingly waive any right under the PSA Agreement without the prior written consent of the Authority;
- (d) comply with its obligations under the PSA Agreement;
- (e) exercise its rights to terminate the PSA Agreement whenever directed by the Authority by written notice;
- (f) immediately notify the Authority if any party to the PSA Agreement, terminates or gives notice to terminate the PSA Agreement;
- (g) use its reasonable endeavours to procure that the PSA performs its functions promptly and diligently, with reasonable skill and care, and in conformity with all applicable laws, rules and regulations and in accordance with generally accepted best accounting practice; and
- (h) provide the PSA promptly with any information it requires to perform the PSA Functions including copies of all PS Transmission Payment invoices as soon as reasonably practicable, and is at the Licensee's disposal and which would facilitate operation of the system of postalised charges in respect of the Postalised System.

## **Condition 2A.5 – The Trustee**

### **2A.5.1 The Trustee’s and Account Bank’s primary obligations**

2A.5.1.1 Subject to Condition 2A.5.1.2, unless the Authority otherwise directs or consents, the Licensee shall do all things within its power to:

- (a) enter into, before such date as is appointed by the Authority; and
- (b) be party at all times thereafter to

arrangements whereby

- (i) a person who fulfils the criteria set out in Condition 2A.5.2.1 (referred to as the “Trustee”) carries out the activities specified in Condition 2A.5.3 pursuant to an agreement between the Trustee and the Designated Pipe-line Operators which fulfils the criteria referred to in Condition 2A.5.3 and 2A.5.4 (referred to as the “Trust and Account Bank Agreement”) and which has been and remains approved by the Authority; and
- (ii) a person who fulfils the criteria set out in Condition 2A.5.2.2. (referred to as the “Account Bank”) provides an account for use as the PoT Account pursuant to the Trust and Account Bank Agreement and which has been and remains approved by the Authority.

2A.5.1.2 The Licensee shall only be entitled to terminate the Trust and Account Bank Agreement without the Authority’s prior written consent if the Trustee and/or the Account Bank is or becomes insolvent; if in the reasonable opinion of the Designated Pipe-Line Operators, the Trustee and/or the Account Bank commits a material breach of the terms or warranties of the Trust and Account Bank Agreement; or if any approval given by the Authority under Condition 2A.5.2.3 expires or is revoked.

2A.5.1.3 Unless the Authority otherwise consents if the Licensee fails to enter into the arrangements referred to in Condition 2A.5.1.1 above by the date required by that Condition the Licensee shall use its best endeavours to enter into such arrangements as soon as possible thereafter.

## **2A.5.2 Criteria for appointment of the Trustee**

2A.5.2.1 The person fulfilling the functions of Trustee from time to time pursuant to this Condition 2A.5 shall:

- (a) be a competent, fit and proper person to fulfil the Trustee Functions having the systems and controls in place to fulfil those functions; and
- (b) have sufficient suitably qualified and skilled personnel to enable it to perform the Trustee Functions.

2A.5.2.2 The person fulfilling the functions of Account Bank from time to time pursuant to this Condition 2A.5 shall:

- (a) be a competent, fit and proper person to provide and administer the PoT Account having the systems and controls in place to fulfil those functions; and
- (b) have sufficient suitably qualified and skilled personnel to enable it to provide and administer the PoT Account.

2A.5.2.3 The criteria specified in Conditions 2A.5.2.1 and 2A.5.2.2 shall be treated as satisfied in respect of any appointment if the Licensee appoints as the Trustee and/or the Account Bank, as appropriate, a person who at the time of appointment is a person approved by the Authority for the purposes of this Condition and if that approval has not expired or been revoked.

## **2A.5.3 The Trustee's functions**

2A.5.3.1 The Trust and Account Bank Agreement shall, in accordance with Condition 2A.5.1.1, impose on the Trustee the following functions (referred to as the "Trustee Functions"):

- (a) the maintenance of a bank account (the "PoT Account") into which all monies paid by PS Gas Suppliers in respect of PS Transmission Payments shall be received, held on trust for and distributed to the Licensee and the other Designated Pipe-line Operators at the intervals and in accordance with the instructions of the PSA;

- (b) the receipt into the PoT Account and holding on trust of all monies paid by PS Gas Suppliers in discharge of PS Transmission Payments;
- (c) the distribution of monies from the PoT Account on the instructions of the PSA; and
- (d) providing the PSA promptly with any details concerning payments into and from the PoT Account as it may require at any time.

#### **2A.5.4 Trust and Account Bank Agreement criteria**

2A.5.4.1 The Trust and Account Bank Agreement shall not, by object or effect, impose undue discrimination or confer undue preference on any Designated Pipe-line Operator and shall:

- (a) require the Trustee to fulfil the Trustee Functions in a manner which is transparent and which does not unduly discriminate as between Designated Pipe-line Operators;
- (b) require the Trustee to institute appropriate arrangements and procedures to enable the Trustee to fulfil the Trustee Functions in an efficient and economic manner;
- (c) make provision for the modification of the Trust and Account Bank Agreement, in the following circumstances only:
  - (i) with the written consent of the Authority (such consent to be deemed as having been given at such time when the Authority has not sent written notice to the parties to the Trust and Account Bank Agreement of its objection to such modification and the grounds for such objection within 4 weeks of its receipt of full written details of the proposed modification); or
  - (ii) in accordance with a written direction made by the Authority to the extent necessary to ensure consistency with the Licence following consultation with the Designated Pipe-line Operators;

- (d) provide for its termination in the event that any approval granted by the Authority pursuant to Condition 2A.5.2.3 is revoked;
- (e) require the Trustee to co-operate with the Authority including without limitation by the sharing of information, both generally and to enable the Authority as far as is reasonably practicable to monitor whether the Trustee is continuing to fulfil the Trustee Functions;
- (f) require the Trustee to perform its functions promptly and diligently with reasonable skill and care, and in conformity with all applicable laws, rules and regulations;
- (g) require the Licensee to co-operate with the Trustee: such co-operation shall include but not be limited to providing the Trustee and other Designated Pipe-line Operators with such information as is at the Licensee's disposal which would facilitate the operation of the system of postalised charges in respect of the Postalised System provided that the Licensee shall not be required to provide to another Designated Pipe-line Operator confidential information, the provision of which would, or might, in the opinion of the Authority, seriously and prejudicially affect the interests of the Licensee or any PS Gas Supplier or Designated Pipe-line Operator;
- (h) subject to Condition 2A.5.1.2, provide that, except with the consent of the Authority, the Licensee shall not terminate the Trust and Bank Agreement until such time as a new Trustee has been appointed under a Trust and Bank Agreement conforming with all the requirements under this Condition 2A.5; and
- (i) require the parties thereto to ensure at all times that the terms and conditions of the Trust and Account Bank Agreement comply with the terms of the Licence.

**2A.5.5 Licensee's obligations in relation to the Trustee**

2A.5.6 The Licensee shall:

- (a) promptly after becoming aware thereof notify the Authority of any material or persistent breach of any obligation by any party under the Trust and Account Bank Agreement;
- (b) take all reasonable steps to enforce the obligations of the parties to the Trust and Account Bank Agreement whenever required, or whenever so directed by the Authority by written notice, and in accordance with the terms of the direction;
- (c) not knowingly waive any right under the Trust and Account Bank Agreement without the prior written consent of the Authority;
- (d) comply with its obligations under the Trust and Account Bank Agreement;
- (e) exercise its rights to terminate the Trust and Account Bank Agreement whenever directed by the Authority by written notice;
- (f) immediately notify the Authority if any party to the Trust and Account Bank Agreement, terminates or gives notice to terminate the Trust and Account Bank Agreement; and
- (g) use its reasonable endeavours to procure that the Trustee performs its functions promptly and diligently, with reasonable skill and care, and in conformity with all applicable laws, rules and regulations.

**Condition 2A.6 – Distributions from the PoT Account and Designated Pipe-line Operators Agreement**

**2A.6.1 PoT Account Calculations – Entitlements, Distributions and Payments**

2A.6.1.1 The following shall be calculated in accordance with the provisions of this Condition 2A.6.1:

- (a) the monthly entitlement of the Licensee to sums from the PoT Account calculated on the basis of amounts receivable in respect of Monthly Postalised Payments, Auxiliary Payments, Termination Payments and Debt Payments;
- (b) the Year-End Amount if any due to or from the Licensee; and
- (c) the amount to be distributed to the Licensee from the PoT Account on a monthly basis in respect of (a) and (b) above.

**2A.6.1.2 Monthly Entitlements**

- (a) Monthly Postalised Entitlement

The Monthly Postalised Entitlement (“MPE<sub>Lm</sub>”) of Licensee “L” in respect of a month “m” shall be the lower of the following:

(i)  $(TMPT_m + DPI_m) \times \frac{FRR_{Lt}}{PSFRR_t}$

and

(ii)  $FRR_{Lt} + ADPI_{Lt} - AMPE_{Lt}$

Where:

TMPT<sub>m</sub> = the aggregate (excluding any VAT on all such amounts) of:

- (aa) all Monthly Postalised Payments payable into the PoT Account, which:

- 1) have their Due Date falling in month “m”; and

- 2) are payable in respect of Postalised System transmission services provided in month “m-2”, being the month in which gas flowed and the invoice for which was issued in month “m-1”; plus
- (bb) any Auxiliary Payments payable into the PoT Account which have their Due Date falling in month “m” and are payable in respect of the Gas Year “t” in which month “m-2” falls;
- (cc) any Termination Payments payable in respect of PS Transmission Payments relating to Gas Year “t” in which month “m-2” falls received into the PoT Account in month “m”.

$FRR_{Lt}$  = the Licensee’s Forecast Required Revenue in respect of the Gas Year “t” in which month “m-2” falls;

$PSFRR_t$  = PS Forecast Required Revenue in respect of the Gas Year “t” in which month “m-2” falls;

$AMPE_{Lt}$  = the aggregate Monthly Postalised Entitlements of the Licensee in respect of prior months in the Gas Year “t” in which month “m-2” falls;

$DPI_m$  = any interest paid on payments relating to Total Monthly Payments in month “m” received after the Due Date and before or on the Second Due Date; and

$$ADPI_{Lt} = \frac{\sum DPI_{mt}}{PSFRR_t} \times FRR_{Lt}$$

(b) **Debt Entitlement**

The Debt Entitlement (“ $DE_L$ ”) of Licensee “L” calculated on a rolling monthly basis shall be its proportionate entitlement to Debt Payments, comprising:

- (i) its entitlement to outstanding Total Monthly Payments for services provided during a Gas Year and outstanding Debt Payments representing unpaid Total Monthly Payments relating to that Gas



Year, in each case calculated by reference to the Licensee's Forecast Required Revenue as a proportion of PS Forecast Required Revenue;  
plus

- (ii) its entitlement to debt incurred in respect of Year-End Amounts calculated by reference to the Licensee's Year-End Amounts due to it as a proportion of the sum of all PS Year-End Amounts that are positive.

calculated as:

$$DE_L = [(Shortfall_L - DPE_L) / (PSShortfall - PSDPE)] * (DP_m + DPID)$$

where:

$DPE_L$  = the aggregate of all Debt Entitlements of the Licensee in respect of previous months excluding the interest element, Z.

$PSDPE$  = the aggregate of all Debt Entitlement amounts for all Designated Pipe-line Operators under their Respective Licences in respect of previous months excluding the interest element, Z.

$Shortfall_L$  =  $AE_L - AD_L$  in all previous months in Gas Years commencing on or after the Designation Date in respect of each Designated Pipe-line Operator;

$PSShortfall$  = the aggregate all Shortfall amounts for all Designated Pipe-line Operators under their Respective Licence;

$AE_L$  = the aggregate of all entitlement amounts for the Licensee in respect of all previous months in Gas Years commencing on or after the Designation Date.

$AD_L$  = the aggregate of all distribution amounts for the Licensee in respect of all previous months in Gas Years commencing on or after the Designation Date.

$DP_m$  =the total charges payable by PS Gas Suppliers due in month “m” in respect of PS Notified Debt as contemplated by Condition 2A.3.4.1 and as detailed in the applicable Debt Notice;

$DPID_m$  =Any interest paid on payments relating to Debt Payments in month “m” received after the Due Date and before or on the Second Due Date.

**(c) Termination Entitlement**

The Termination Entitlement (“TE<sub>L</sub>”) of Licensee “L” in relation to Termination Payments received into the PoT Account from Gas Suppliers to which the Licensee is the Primary DPO, with respect to future Gas Years as calculated by the PSA according to Condition 2A.4.3.1(n).

**2A.6.1.3 Year-End Amounts – Calculation of Entitlement/Obligation**

- (a) A year-end amount (“Year-End Amount” or “YEA<sub>Lt</sub>”) in respect of that Gas Year shall be calculated in accordance with the following formula, in relation to which if YEA<sub>Lt</sub> is a negative figure, the Licensee shall be obliged to make payment into the PoT Account of the amount of such figure within 25 Business Days of the date that it receives notice from the PSA of the relevant amount, and if YEA<sub>Lt</sub> is a positive figure, the Licensee shall be entitled to receive the amount of the Year-End Amount from the PoT Account:

$$YEA_{Lt} = (ARR_{Lt} \times \frac{PSTMPT_t + \sum DPID_{mt} + RP_{Total} + DPIP_t}{PSARR_t}) - AMPE_{Lt}$$

Where:

YEA<sub>Lt</sub> =Year-End Amount in respect of Gas Year “t” and Licensee “L”;

ARR<sub>Lt</sub> =the Licensee’s Actual Required Revenue in respect of Gas Year “t”;

PSARR<sub>t</sub> = the PS Actual Required Revenue in respect of Gas Year “t”;

$PSTMPT_t$  =the aggregate of  $TMPT_m$  as calculated in Condition 2S.6.1.2(a) in respect of all the months falling within Gas Year “t”;

$RP_{Total}$  = the aggregate of all Capacity Reconciliation Payments and Commodity Reconciliation Payments, each in respect of Gas Year “t” and receivable from PS Gas Suppliers; and

$AMPE_{Lt}$  =the aggregate of Monthly Postalised Entitlements of the Licensee in respect of Gas Year “t”.

$DPIR_t$  =any interest paid on payments relating to Reconciliation Payments received after the Due Date and before or on the Second Due Date falling in month “m”.

$\Sigma DPI_{mt}$  =the aggregate amount of interest paid on payments relating to Total Monthly Payments for Gas Year “t” payable in any month “m” received after the Due Date and before or on the Second Due Date.

#### **2A.6.1.4 Monthly Distributions**

The amount of the distribution to be made to the Licensee from the PoT Account in any month (the “Monthly Distribution”) shall be calculated by the PSA on the basis of the balance of monies in the PoT Account, net of any amounts in the PoT account as a result of any requirement to maintain a minimum account balance and any interest earned on the PoT account balance, on the date of calculation of the Monthly Distribution in the relevant month (month “m”) (such balance of monies on the PoT Account at that date being referred to below as “W”). The Licensee shall be entitled to receive by way of Monthly Distribution an amount equal to the sum of each of  $DA1_L$ ,  $DA2_L$ ,  $DA3_L$ ,  $DA4_L$ ,  $DA5_L$  and  $DA6_L$  calculated as follows:

##### **(a) VAT Distributions**

$$DA1_L = VAT_L$$

where:

VAT<sub>L</sub> =the aggregate amount of VAT Distributions for the Licensee as calculated by the PSA according to Condition 2A4.3.1 (d)

**(b) Distribution to enable Licensee to fulfil obligation to reimburse Gas Suppliers**

Where the Licensee is obliged to reimburse any sum to one or more of its Gas Suppliers in accordance with this Part 2A of the Licence and the Network Code then DA<sub>2L</sub> shall be a sum equal to GSR provided that if no such payment is payable by the Licensee to any of its Gas Suppliers in the relevant month DA<sub>2L</sub> shall be zero.

Where:

GSR =the aggregate amounts that the Licensee is required to reimburse to its Gas Suppliers in relation to PS Transmission Payments in accordance with this Part 2A of the Licence and the Network Code;

**(c) Year-End Amount Distributions**

In the month following a month in which Reconciliation Payments have been invoiced to one or more PS Gas Suppliers a distribution in respect of Year-End Entitlement DA<sub>3L</sub> shall be calculated as follows:

(i) If  $W - PSDA1 - PSDA2 \geq PSYEA$

then DA<sub>3L</sub> shall be a sum equal to YEA<sub>Lt</sub>; or

(ii) If  $W - PSDA1 - PSDA2 < PSYEA$

then DA<sub>3L</sub> shall be calculated as follows:

$$DA_{3L} = \frac{(W - PSDA1 - PSDA2) \times YEA_{Lt}}{PSYEA}$$

Provided that if YEA<sub>L</sub> is a negative figure then DA<sub>3L</sub> shall be zero.

where:

W =the balance of monies in the PoT Account, net of any amounts in the PoT Account as a result of any requirement to maintain a minimum account balance and any interest earned on the PoT Account balance

PSDA1 =the aggregate of all DA1<sub>L</sub> figures for all Designated Pipe-line Operators under their Respective Licence for month “m”;

PSDA2 =the aggregate of all DA2<sub>L</sub> figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

YEA<sub>Lt</sub> =the Year-End Amount calculated in accordance with Condition 2 A.6.1.3;

PSYEA =the aggregate of all positive Year-End Amounts for all Designated Pipe-line Operators under their Respective Licences;

(d) **Monthly Postalisation Distributions**

(i) If  $W - PSDA1 - PSDA2 - PSDA3 \geq PSMPE$

then DA4<sub>L</sub> shall be an amount equal to MPE<sub>L</sub>; or

(ii) If  $W - PSDA1 - PSDA2 - PSDA3 < PSMPE$

then DA4<sub>L</sub> shall be calculated as follows:

$$DA4_L = \frac{(W - PSDA1 - PSDA2 - PSDA3) \times MPE_{Lm}}{PSMPE}$$

where:

PSDA1 =the aggregate of all DA1<sub>L</sub> figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

PSDA2 =the aggregate of all DA2<sub>L</sub> figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

PSDA3 =the aggregate of all DA3<sub>L</sub> figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

$MPE_{Lm}$  = the Monthly Postalised Entitlement of the Licensee calculated in accordance with Condition 2A.6.1.2(a) above;

PSMPE =the aggregate of all Monthly Postalised Entitlement figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

(e) **Termination Distributions**

(i) If  $W - PSDA1 - PSDA2 - PSDA3 - PSDA4 \geq PSTE$

then  $DA5_L$  shall be a sum equal to  $TE_L$ ; or

(ii) If  $W - PSDA1 - PSDA2 - PSDA3 - PSDA4 < PSTE$

then  $DA5_L$  shall be calculated as follows:

$$DA5_L = \frac{(W - PSDA1 - PSDA2 - PSDA3 - PSDA4) \times TE_{Lm}}{PSTE}$$

where:

PSDA1 =the aggregate of all  $DA1_L$  figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

PSDA2 =the aggregate of all  $DA2_L$  figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

PSDA3 =the aggregate of all  $DA3_L$  figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

PSDA4 =the aggregate of all  $DA4_L$  figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

$TE_{Lm}$  =the amount, if any, payable to the Licensee in respect of Termination Payments received into the PoT Account under the Network Code in month “m” which relate to Gas Years after the Gas Year in which termination occurs as calculated by the PSA under Condition 2A4.3.1 (n); and

PSDE =the aggregate of all  $TE_{Lm}$  figures for all Designated Pipe-line Operators under their Respective Licences for month “m”.

(f) **Monthly Debt Payment Distributions**

(i) If  $W - PSDA1 - PSDA2 - PSDA3 - PSDA4 - PSDA5 \geq PSDE$

then  $DA_{6L}$  shall be a sum equal to  $DE_L$ ; or

(ii) If  $W - PSDA1 - PSDA2 - PSDA3 - PSDA4 - PSDA5 < PSDE$

then  $DA_{6L}$  shall be calculated as follows:

$$DA_{6L} = \frac{(W - PSDA1 - PSDA2 - PSDA3 - PSDA4 - PSDA5) \times DE_{Lm}}{PSDE}$$

where:

$PSDA1$  =the aggregate of all  $DA_{1L}$  figures for all Designated Pipe-line Operators under their Respective Licence for month “m”;

$PSDA2$  =the aggregate of all  $DA_{2L}$  figures for all Designated Pipe-line Operators under their Respective Licence for month “m”;

$PSDA3$  =the aggregate of all  $DA_{3L}$  figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

$PSDA4$  =the aggregate of all  $DA_{4L}$  figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

$PSDA5$  =the aggregate of all  $DA_{5L}$  figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

$DE_{Lm}$  =the Debt Entitlement of the Licensee “L” for month “m” calculated in accordance with Condition 2A.6.1.2(b) above;

$PSDE$  =the aggregate of all Debt Entitlement figures for all Designated Pipe-line Operators under their Respective Licences for month “m”;

**2A.6.2 Inter-Designated Pipe-line Operators Provisions**

#### 2A.6.2.1 Designated Pipe-line Operators Agreement

Unless the Authority otherwise consents, the Licensee shall on or before a date appointed by the Authority enter into and be a party at all times thereafter to a binding agreement with the other Designated Pipe-line Operators which complies with the criteria specified in Condition 2A.6.2.2 and which is in a form approved in advance by the Authority pursuant to which it will:

- (a) act together with the other Designated Pipe-line Operators to appoint and re-appoint the PSA from time to time;
- (b) establish the PoT Account and appoint and re-appoint the Trustee and/or the Account Bank from time to time;
- (c) in conjunction with other Designated Pipe-line Operators, enforce the PSA Agreement and the Trust and Account Bank Agreement; and
- (d) undertake to the other Designated Pipe-line Operators (in consideration of equivalent undertakings) to issue invoices promptly and accurately, and to give effect to common payment terms and credit arrangements,

and which will contain such other provisions for the efficient operation of a system of PS Transmission Payments as the Designated Pipe-line Operators may agree and the Authority may approve (the “Designated Pipe-line Operators Agreement”).

#### **2A.6.2.2 Designated Pipe-line Operators’ Agreement Criteria**

- (a) The Designated Pipe-line Operators’ Agreement shall not, by object or effect, impose undue discrimination or confer undue preference on any Designated Pipe-line Operator or PS Gas Supplier and shall:
  - (i) ensure the PSA, the Trustee and the Account Bank institute appropriate arrangements and procedures to enable the PSA to fulfil the PSA Functions and the Trustee to fulfil the Trustee Functions in an efficient and economic manner;
  - (ii) make provision for the modification of the Designated Pipe-line Operators Agreement in the following circumstances only:



- (aa) with the written consent of the Authority (such consent to be deemed as having been given at such time when the Authority has not sent written notice to the parties to the Designated Pipe-line Operators Agreement of its objection to such modification and the grounds for such objection within 8 weeks of its receipt of full written details of the proposed modification); and
  - (bb) in accordance with a written direction made by the Authority to the extent necessary to ensure consistency with the Licence, following consultation with the Designated Pipe-line Operators.
- (b) The Designated Pipe-line Operators' Agreement shall include an obligation on the Licensee to co-operate with the other Designated Pipe-line Operators. Such co-operation shall include but not be limited to providing the PSA and other Designated Pipe-line Operators with such information as is at the Licensee's disposal (other than confidential information the provision of which would or might, in the opinion of the Authority, seriously and prejudicially affect the interests of the Licensee or any PS Gas Supplier or Designated Pipe-line Operator) and which would facilitate the operation of a system of PS Transmission Payments in respect of the Postalised System.

**Condition 2A.7 – New Licence Requirements relating to the Network Code**

- 2A.7.1 At any time when, and to the extent that, a Designation Order is and remains in force in respect of all or part of the Network the following provisions shall apply in relation to the Licensee’s obligation to establish and implement procedures for the modification of its Network Code.
- 2A.7.2 The relevant objective, the achievement of which is to be facilitated by the Licensee’s Network Code, shall include the operation of efficient and economic arrangements for a system of common tariffs in respect of the Licensee’s Designated Network and the Designated Network (as such term is defined in the licence of each other Designated Pipe-line Operator) of all other Designated Pipe-line Operators.
- 2A.7.3 The procedures which the Licensee is required to establish and implement for the modification of the Network Code shall provide:-
- (a) for all other Designated Pipe-line Operators and PS Gas Suppliers to be consulted by the Licensee in relation to any modification of the Network Code proposed by the Licensee or any other party entitled to raise such proposals;
  - (b) for all other Designated Pipe-line Operators and PS Gas Suppliers to be notified as soon as possible of any proposed modification put forward by the Authority or by any PS Gas Supplier;
  - (c) that in proposing or reporting on any modification, the Licensee shall have regard to the impact that such modification might have on the operation of any other Designated Pipe-line Operator’s network code; and
  - (d) where appropriate, for joint reports to be prepared.
- 2A.7.4 The Licensee shall consult all other Designated Pipe-line Operators and the PS Gas Suppliers before proposing any modification to the modification rules.

**SCHEDULE 1: Authorised Area for the Conveyance of Gas**

## **SCHEDULE 2: Right of the Authority to Revoke Licence**

### 1. Circumstances allowing revocation

The Authority may at any time revoke the licence by not less than 30 days' notice to the Licensee:

- (a) if the Licensee agrees in writing with the Authority that such licence should be revoked; or
- (b) if any amount payable under Condition 1.13 is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Authority has given the Licensee notice that the payment is overdue provided that no such notice shall be given earlier than the sixteenth day after which the amount payable becomes due; or
- (c) if the Licensee fails to comply with a Final Order (within the meaning of Article 42 of the Energy Order) or with a Provisional Order (within the meaning of Article 42 of the Energy Order) which has been confirmed under Article 42 of the Energy Order and which (in either case) has been made in respect of a contravention or apprehended contravention of a condition to which the licence is subject or of a “relevant requirement” as defined in Article 41(2)(b) of the Energy Order and such failure is not rectified to the satisfaction of the Department within three months after the Department has given notice of such failure to the Licensee, provided that no such notice shall be given by the Department before the expiration of the period within which an application under Article 44 of the Energy Order could be made questioning the validity of the Final or Provisional Order or before the proceedings relating to any such application are finally determined; or
- (cc) if the Licensee fails to pay any financial penalty (within the meaning of Article 45 of the Energy Order) imposed in respect of a contravention or apprehended contravention of a condition to which such licence is subject or of a “relevant requirement” as defined in Article 41(2)(b) of the Energy Order by the due date for such payment and the payment is not made to the Authority within three months after the Department has given notice in writing

of such failure to the Licensee, provided that no such notice shall be given by the Department before the expiration of the period within which an application under Article 49 of the Energy Order could be made questioning the validity or effect of the financial penalty or before the proceedings relating to any such application are finally determined; or

- (d) if the Licensee fails to comply with any order made by a court under section 34 of the Competition Act 1998; or fails to comply with an order made under section 72, 75, 76, 81, 83, 84, 158, 160 or 161 of, or under paragraph 2, 5, 6, 10 or 11 of Schedule 7 to, the Enterprise Act 2002; or is found guilty of an offence under section 188, 193 or 194 of the Enterprise Act 2002; or
- (e) if the Licensee:
  - (i) is unable to pay its debts (within the meaning of Article 103(1) or (2) of the Insolvency (Northern Ireland) Order 1989, but subject to Paragraph 4 of this Schedule 2) or if any voluntary arrangement is proposed in relation to it under Article 14 of that Order or if it enters into any scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Department); or
  - (ii) has a receiver (which expression shall include an administrative receiver within the meaning of Article 5(1) of the Insolvency (Northern Ireland) Order 1989) of the whole or any material part of its assets or undertaking appointed; or
  - (iii) has an administration order under Article 21 of the Insolvency (Northern Ireland) Order 1989 made in relation to it; or
  - (iv) passes any resolution for winding up other than a resolution previously approved in writing by the Department; or
  - (v) becomes subject to an order for winding up by a court of competent jurisdiction; or

- (f) if at any time the Licensee intentionally or recklessly fails to notify the Authority of a change in control as soon as practicable after such change in control should have occurred; or there has been a change in control notified by the Licensee:
  - (i) the Authority serves notice on the Licensee stating that the Authority proposes to revoke the licence in pursuance of this paragraph unless such further change in control of the Licensee as is specified in the notice takes place (or control reverts to the person(s) controlling the Licensee prior to the change) within the period of three months beginning with the date of service of the notice; and
  - (ii) that further change or reversion in control does not take place within that period; or
- (g) if the Licensee is convicted of having committed an offence under Article 46 of the Order or under Article 63 of the Electricity (Northern Ireland) Order 1992.

2. Revocation if Licensee ceases to carry on the licensed business

The Authority may at any time by not less than 30 days' notice to the Licensee revoke the licence if the Licensee has not commenced carrying on its business in the conveyance of gas within [xx] months of the date of the Grant or thereafter ceases for a period of 3 months to carry on its business in the conveyance of gas and in relation to any date or period given in this paragraph 2 the Authority shall substitute a later date or a longer period where reasonably satisfied that exceptional circumstances which could not have been reasonably foreseen by the Licensee had prevented, or could reasonably be expected to prevent, the carrying on of the relevant business.

3. Revocation of licence if Licensee does not have title in assets of business

- (a) The Licensee shall acquire ownership of the relevant assets (as the same are defined in Condition 1.12.6) required for the conduct of its Licensed Business and save as is permitted under Conditions 1.11 and 1.12, if the Licensee does not have ownership of the relevant assets required for the conduct of its

Licensed Business under the licence, then the Authority may at any time by not less than 30 days' notice to the Licensee revoke the licence for such Licensed Business.

- (b) For the purposes of this paragraph 3 of this Schedule 2 the Licensee shall own a relevant asset if it could not otherwise be treated as having been disposed of (as disposal is defined in Condition 1.12.6).

4. Licensee's deemed ability to pay its debts

- (a) For the purposes of paragraph 1(e)(i) of this Schedule 2, Article 103(1)(a) of the Insolvency (Northern Ireland) Order 1989 shall have effect as if for "£750" there was substituted "£250,000" or such higher figure as the Department may from time to time determine by notice in writing to the Licensee.
- (b) The Licensee shall not be deemed to be unable to pay its debts for the purposes of paragraph 1(e)(i) of this Schedule 2 if any such demand as is mentioned in Article 103(1)(a) of the Insolvency (Northern Ireland) Order 1989 is being contested in good faith by the Licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Department under paragraph 1 of this Schedule 2.

5. Additional definition

For the purposes of paragraph 1(f) of this Schedule 2, there is a change in the control of the Licensee whenever a person obtains control of the Licensee who did not have control of the Licensee when this licence was granted; and section 450 (as read in conjunction with section 451) of the Corporation Tax Act 2010 shall apply for the purpose of determining whether for the purposes of this paragraph a person has or had control of the Licensee, but at any time should no person have control then for the words "the greater part" wherever they occur in the said section 450 there shall be substituted the words "one-third or more".